

## *Understanding your loans – Know your #'s!!*

Penn State knows that many students will need to rely on loans to pay for their college education. In fact, an estimated 2/3rds of **Penn State students** graduate with student loan debt, with an average **debt of \$33,530<sup>1</sup>**. But this is **hard to pay off**.

How long it will take to pay off your student debt depends largely on the amount of debt you have and the level of income you receive after graduation. These worksheets will help you figure out the estimated amount of debt you will accumulate and your potential starting income level. After those numbers are calculated you will be able to assess how hard, and how long, it will take to pay off those debts.

### **See where you stand with your debt.**

#### **How to look up your own debt:**

1. Log into your eLion account
2. On the left hand column select the 'Financial' tab
3. Click on 'Student Aid Summary'
4. The page will tell you to select an academic year
5. Start with your freshman year and click Continue
6. A box will appear, click the green square 'View Aid'
7. The top chart with 'Types of Aid' is what you will focus on
8. Fill in the following chart with the totals for Federal Loans( both sub and unsub), and any Private Loans
9. After you collected those totals scroll down and 'Select another year'
10. Repeat for each year of attendance
11. You can estimate your total loan debt for future years by assuming you will take out the same amount until you graduate for each remaining year
  - a. For Example—if you are a sophomore and that year's federal debt was \$6,000 then you can repeat that amount for junior and senior years

	Freshman	Sophomore	Junior	Senior	TOTAL
Federal loans (sub & unsub)					
Private loans					

TOTAL Debt: \_\_\_\_\_

<sup>1</sup> Project on Student Debt. Retrieved on 2/20/2013 from [http://projectonstudentdebt.org/state\\_by\\_state-view2012.php?area=PA](http://projectonstudentdebt.org/state_by_state-view2012.php?area=PA)

## Get a rough sense of your loan payments and salary needs

Now that you have calculated your total debt after graduation, it's time to estimate your loan payments. Follow the instructions below to calculate your loan payment. We're going to take you to an on-line calculator that helps you get a rough sense of what your student loan payments will be. A few very important caveats:

\*\* These calculators assume you will pay off your loans in 120 months (10 years). If you have loans that have longer repayment periods, the estimates will not be accurate! If you know your loan repayment period, you can change that number.

\*\*\* These calculators assume your interest rate on your loan is 6.8%. For some of you that may be the case. Others may have loans with LOWER or HIGHER interest rates. If you know your interest rates, go ahead and change those numbers too. As we saw in class, your interest rate matters a lot for how much you will pay. Some of you have loans from SEVERAL sources, each with DIFFERENT interest rates. In this case, you can play around with this calculator to get a rough sense of your payments, but you should get a financial aid professional to help you create an accurate estimate of your payments.

\*\*\* When these calculators estimate your recommended salary, they are assuming you will only spend 8% of your salary on your monthly student loan payment. Other financial advisors say up to 12% is ok. Either way, the point is that student loan payments are only one of your expenses. You need to pay for rent, food, and other living expenses. In addition, many people want to get married, buy a house, and have kids during these years.

\*\*\*\* *If you have a lot of loans, you will get a recommended salary that is far higher than what you will be able to earn. **Do not panic!** There are strategies to help you manage this level of debt. But you will need a serious plan. Take this as an opportunity to get professional help to come up with a plan that will work for you. Strategies people use:*

- Reduce your debt for as much of college as you have left
- Choose your career carefully to maximize your earnings
- Plan to have very low living expenses for a year or two and pay down your debt in big chunks until it is more manageable
- Avoid graduate school debt
- Learn about the different ways to repay high amounts of student loans, including alternate loan repayment plans that adjust your payments based on your income
- Most importantly – get professional help. These are complicated issues.

**Now, know your numbers**

1. Go to— <http://mappingyourfuture.org/paying/standardcalculator.htm>
2. Plug in the amount of debt you will take on before you graduate from college.
3. If you know your interest rate on that debt and the repayment period, change those numbers as well.
4. Click “compute payment and costs”
5. Use the box below to enter about how much your monthly payments will be

Total Debt Amount	Rough Monthly Payment	Recommended Salary to Keep Debt Below 8% of Earnings

**How much are you likely to earn in different careers?**

Your ability to repay your loans is based in large part on how much you are likely to earn. If you have a lot of debt, you should very carefully consider the salary and the graduate school requirements for careers you want to enter. When looking at potential career choices, look up the salary. Be careful to find the typical **starting (or entry-level) salary** and *not* estimates of the median or average salary. When people start careers, they typically make less money than those who have been working in the field for many years.

**Here are some examples. Thinking ahead, what might your entry-level salary be?**

Career	Average Starting Salary (pre- taxes)	Important Qualifications
<b>Guidance Counselor</b> (Educational, Vocational, or School)	\$33,160 <sup>2</sup>	A Masters degree is often required to become licensed or certified.
<b>Social Worker</b> (Child, Family, or School)	\$32,500 <sup>3</sup>	A Masters degree is often required for positions in health and school settings and is required for clinical work. You may also need certification.
<b>Child Life Specialist<sup>4</sup></b>	\$37,513 <sup>5</sup>	Often requires certification and a child life internship.

<sup>2</sup> eHow Money (April, 2011). What is the starting salary for a guidance counselor? Retrieved from [http://www.ehow.co.uk/info\\_8248210\\_starting-salary-guidance-counselor.html](http://www.ehow.co.uk/info_8248210_starting-salary-guidance-counselor.html)

<sup>3</sup> eHow Money (2011). Social worker starting salary. Retrieved from [http://www.ehow.com/about\\_5431563\\_social-worker-starting-salary.html](http://www.ehow.com/about_5431563_social-worker-starting-salary.html)

<sup>4</sup> Salary.com (2011). Child life specialist salary. Retrieved from <http://www1.salary.com/Child-Life-Specialist-salary.html>

Career	Average Starting Salary (pre- taxes)	Important Qualifications
<b>Child Care Worker</b>	\$17,316 <sup>6</sup>	There are state-to-state differences in requirements of education (from H.S. to college degrees) and licensure.
<b>Geriatric Care Management</b>	\$30,000 to \$35,000 <sup>7</sup>	Bachelors degree, licensing, continuing educations
<b>Human Resources Manager</b>	\$43,200 <sup>8</sup>	May require internship or on job training.
<b>Elementary School Teacher</b>	\$25,000 – \$30,000 <sup>9</sup>	Requires licensure in addition to a B.S., such as the HDFS/ECE concurrent degree.
<b>Occupational Therapy</b>	\$45,000 <sup>10</sup>	B.S. in occupational therapy, master’s degree program, post-baccalaureate certificate degree
<b>Special Education Teacher</b>	\$37,500 <sup>11</sup>	Bachelors degree, state licensing, certification

### Look up your own careers of interest

To look up your own career interests follow the directions below:

1. Go to Career Services web page: <http://studentaffairs.psu.edu/career/>
2. Use the “For Students” drop down box and click “Majors and Careers”
3. Scroll down to “Read about careers of interest”
4. Click on “Career Internet Database”
5. Click on “Members Click Here”
6. Log in using the password
  - a. Username: 1484w Password: future
7. On the top, click on “Career List”
8. On the left, click on “List of All Reports”
9. You will be taken to a web page with many different career options. Select any you would like to read about.
10. Use the box on the next page to select your top career choices—enter the career, starting salary, and if a graduate degree is necessary.

<sup>5</sup> Child Life Council (2008). Summary of the 2008 child life profession compensation survey results. Retrieved from <http://www.childlife.org/Career%20Center/ChildLifeCompensation.cfm>

<sup>6</sup> The Princeton Review. (2011). Careers. Retrieved from <http://www.princetonreview.com/Careers.aspx?cid=35&page=4>

<sup>7</sup> Career Interest Database. Career in Geriatric Care Management. Retrieved on 2/22/2013 from <http://www.careers-internet.org/members/careerpages/geriatriccare.htm>

<sup>8</sup> The Princeton Review. (2011). Careers. Retrieved from <http://www.princetonreview.com/Careers.aspx?cid=78&page=4>

<sup>9</sup> Career Interest Database. Careers as an Elementary Teacher. Retrieved on 6/27/2013 from <http://www.careers-internet.org/members/careerpages/elementaryteacher.htm>

<sup>10</sup> Career Interest Database. Career as an Occupational Therapist. Retrieved on 2/22/2013 from <http://www.careers-internet.org/members/careerpages/OT.htm>

<sup>11</sup> Career Interest Database. Career as a Special Ed Teacher. Retrieved on 2/22/2013 from <http://www.careers-internet.org/members/careerpages/TeacherSpecialEd.htm>

Career Choice	Average Starting Salary	Graduate Degree Needed?

**Is your estimated loan amount when leaving college higher than you can afford based on your career choice?** If so, you need to make some decisions about how to a) reduce your debt, and b) increase your potential earnings after college. Come talk to one of our academic advisors for help making these decisions (814-863-8000).