2020 · WHAT ISSUES SHOULD I CONSIDER WHEN PAYING OFF MY STUDENT LOANS?

ROOTED PLANNING GROUP

LOAN OVERVIEW	YES	NO
Are you currently in school? If so, you are likely not required to make payments as long as you are enrolled at least half-time.	☐	☐
Did you recently graduate and are you in a grace period? If so, consider the benefits of starting repayment before the end of the grace period (starting the loan forgiveness clock), and whether consolidation/refinancing would benefit you.	☐	☐
Is your employment status changing or are you changing careers? If so, consider how your new position, hours, and salary might impact your student loans. Your career move could affect your payments and eligibility for profession-based relief.	☐	☐
Are you the cosigner of a loan for a family member? If so, ensure that the borrower is making timely payments (late payments affect your credit score), and pursue available options for release, when applicable.	☐	☐

CASH FLOW ISSUES	YES	NO
Are you in repayment and struggling to make payments? If so, consider the following: ■ Your federal loans may be currently suspended per The CARES Act. During this administrative forbearance, no payments are required through September 30, 2020, and interest is set at 0%. ■ Relief measures may be available from your lender (e.g. deferment, forbearance). Understand the downside of these options, as they may increase your overall interest payment. ■ If you have a 529 account, you can withdraw up to $10,000 (lifetime limit) for payments toward qualified student loans.	☐	☐
Are you in repayment and looking to pay your debt on an accelerated schedule? If so, consider the following: ■ Review loan features to help you prioritize your extra payments, directing them away from loans with the most favorable features (e.g. forgiveness). (continue on next column)	☐	☐

CASH FLOW ISSUES (CONTINUED)	YES	NO
■ Ensure that extra payments are going towards principal, and don't cause unintended effects. Note that if extra payments push you into "paid ahead status," future payments may not be "qualified payments" for PSLF.		
Does your employer offer repayment benefits?	☐	☐
Do you need a contingency plan, in case you have a disruption in income? If so, consider increasing your emergency fund savings, in order to cover several months of loan payments and avoid potential delinquency and default.	☐	☐
Do you expect your income to rise in the future? If so, consider if a graduated plan makes more sense.	☐	☐

LOAN REPAYMENT FEATURE ISSUES	YES	NO
Do you have federal loans? If so, you may be eligible for IDR plans. See flowchart "Am I Eligible For An IDR Plan For My Federal Student Loans?" for details.	☐	☐
Are you a teacher, nurse, doctor, military service member, or lawyer? If so, you may qualify for repayment assistance programs.	☐	☐
Are you an IDR borrower and public service employee (e.g. government or 501(c)(3))? If so, you may qualify for loan forgiveness if you make 120 qualifying payments while working full-time, through PSLF.	☐	☐
Have you declared bankruptcy, or have become permanently disabled? If so, your federal loans could be discharged.	☐	☐
Do you have Perkins loans and are you a teacher, firefighter, law enforcement, nurse or military service member? If so, the Perkins loans may qualify for cancellation.	☐	☐

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LOAN CONSOLIDATION & REFINANCING ISSUES	YES	NO
Are your rates variable or do they seem high? If so, you may benefit from refinancing at a lower, fixed rate. Be mindful of loan features that you may give up if you refinance.	☐	☐
Do you have federal student loans? If so, consider the following: ▪ Your federal loans can be consolidated, but your origination date, loan status, and financial position may affect your eligibility for various consolidation options. ▪ Your federal loans can be refinanced into private loans, often at lower rates, but be aware of the federal benefits you might sacrifice by private refinancing (e.g. IDR plans, interest subsidy, forgiveness, etc.). ▪ If you follow an IDR schedule, your monthly payments will be tied to your income (typically ranging from 10% to 20% of your discretionary income), updated annually. If you make regular timely payments for a term of years (typically 20 - 25), your remaining loan may be forgiven.	☐	☐
Do you have private student loans? If so, consider the following: ▪ You can refinance your private student loans, and combine any federal student loans that you may have. Remember that private refinance of federal loans irrevocably forfeits any exclusively federal benefits. ▪ Lenders will review your credit score, income, and debt-to-income ratio, and may require a cosigner for approval. ▪ When comparing lenders, weigh features such as fees/costs, unemployment protection, cosigner release, repayment options, etc.	☐	☐

TAX ISSUES	YES	NO
Is your MAGI less than $85,000 if you are a single filer, or $170,000 if you are MFJ? If so, you may qualify for an above-the-line income tax deduction for interest paid on "qualified education loans" (for you, your spouse, your dependent), up to a maximum of $2,500 per tax year.	☐	☐

TAX ISSUES (CONTINUED)	YES	NO
Phaseouts begin at $70,000 MAGI for single filers, and $140,000 for MFJ. The deduction is allowed for both required and voluntary prepaid interest payments.		
Has your employer provided repayment assistance for your student loans? If so, under The CARES Act, up to $5,250 of such benefits paid through December 31, 2020 can be excluded from your income (as "education assistance").	☐	☐
Have any of your student loans been canceled, discharged, or forgiven, in whole or in part? If so, consider the following: ▪ In general, you must include in gross income any discharge of indebtedness. In the year of any IDR loan forgiveness, you will be taxed on the amount forgiven. The cost can be substantial, particularly if your loan balance grew due to negative amortization. Review tax treatment at the state level. ▪ If your loan contains a provision canceling all or part of your debt if you work for a stated period of time in certain professions, you won't have reportable income if the cancellation is on account of your performance of the required services, unless your employer is the lender (e.g. PSLF forgiveness). ▪ If you become totally and permanently disabled and the loan is discharged, the loan amount may be excluded from gross income. Must have occurred between December 31, 2017 and January 1, 2026.	☐	☐
Are your payments tied to your AGI (e.g. an IDR loan)? If so, consider the following: ▪ If you are married, note how your household income and tax filing status could affect your monthly payments. Compare your joint tax liability under MFS and MFJ, and choose the most favorable method. ▪ Implement strategies to reduce your AGI, such as making tax-deductible contributions to your retirement plan(s), FSA, and/or HSA.	☐	☐

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