

Smart Tactics to Manage Dental Student Debt

According to the Federal Reserve, U.S. student loan debt is now \$1.5 trillion with more than 44 million borrowers. Only mortgage debt currently has bigger numbers among types of consumer debt. Even worse, more than 10 percent of these loans are past due. Here are some tactics to help make dental student debt easier to manage:

- **Know the loan terms.** Not all student debt is created equal. Understanding the terms of all your dental student loans is important. With this knowledge, select the correct loan option and know which loan to pay first. Things you should know about each loan include:
 - The interest rate
 - The term of the loan
 - Amount of any upfront fees
 - Pre-payment penalties (if any)
 - When interest and payments start
 - Payment amounts
 - Payment flexibility
 - How the interest is calculated

Suggestion: Create a spreadsheet with a student loan in each column. Then note the terms under each loan. This will create a strong visual of your situation and show you which loans are most important.

- **Avoid accruing interest.** Some student loans accrue interest while you are in dental school. With the compounding of this interest, your student loan amount continues to grow with each passing year before repayment begins. Banks love this - you should not.

Suggestion: Figure out how to make some or all of the interest payments while in dental school. This will not only lock the amount you owe, it will reduce the amount of overall loan payments.

- **Pay a little extra in the early days.** The math of loans benefits banks in the early years of the repayment period. This is because the vast majority of interest is paid in the first years of repayment. By the time you get to the last year of repayment, payments are primarily the principal balance and interest is nil.

Suggestion: Pay extra every month as soon as payments start. While this seems impossible as you enter the workforce, even \$25 extra per month can dramatically reduce the amount of total payments you make over the life of your loan. For example, a \$25 extra payment on a 10-year \$50,000 dental student loan with 5 percent interest would cut six months off the loan, save \$834 in interest, AND save \$3,180 in future loan payments!

- **Make small cuts elsewhere.** Having a hard time finding a few extra dollars to make extra payments? Consider observing and then changing your spending habits.

Suggestion: *Purchase one less latte a week. Drop one monthly service from a bill. Eat in more often. Then use these savings as a bonus payment on your dental student loan principal.*

While student debt is often an unavoidable outcome of getting a dental school education, it can be minimized if actively managed. Small changes can yield results if planned for in advance.