

The Daly Harold

Back to School Edition

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New Loan Repayment Program Can Help Cash-Strapped Grads

A new federal program beginning this July will cap monthly student loan payments based on income, providing relief to countless new graduates saddled with debt and facing a grueling job market.

Typically, most borrowers must begin repaying student loans within six months of graduation. Although payments can be deferred for up to three years because of economic hardship, interest often continues to accrue, resulting in an even larger debt to repay.

The new Income-Based Repayment program is based on complicated rules, notes the Chicago Sun-Times, but essentially anyone whose student loan balance is higher than one's annual income will probably qualify. Under the new program, borrowers will never have to spend more than 15 percent of their discretionary income, an amount based on federal poverty guidelines on student loan payments.

A person who earns less than 150 percent of the poverty level would not be required to make monthly payments. (The 150 percent figure for a single person is \$16,245 in the continental United States.) A person earning more than that level would make monthly payments based on a sliding scale. For example, someone repaying a \$30,000 student loan earning a \$30,000 salary would pay only \$170 a month, compared to the \$350 a month that a typical 10-year loan might require.

A calculator is available on the program's web site (www.ibrinfo.org) to determine what loan payments would be. If a borrower's income increases, student loan payments would increase accordingly.

The new program is particularly noteworthy, reports USA Today, because it forgives loans entirely after 25 years of qualifying payments. In the past, it was nearly impossible for borrowers to ever escape paying student loan debts.

"Most folks will see their incomes rise, and most will pay (the student loan) off, but for those who can't, there is a light at the end of the tunnel," said Lauren Asher, acting president for the Project on Student Debt, who was quoted in USA Today.

The program is limited to federal Stafford, Grad Plus and federal consolidated loans, so private student loans are unfortunately ineligible. Additionally, the income-based repayment program is only available to borrowers in good standing.

Always striving to improve our service

We are excited to announce the addition of Kevin Berce, CFP® to our staff. Kevin has worked in the financial industry since 1984. He is a Certified Financial Planner and a registered representative for Calton & Associates, Inc. He carries the State of Illinois Insurance Licenses for Life, Health, Disability, Long Term Care and Annuities. Kevin also holds the FINRA Series 6, 63, 66 & 7 Licenses and is licensed with the State of Illinois as an Investment Advisor Representative (IAR).

Kevin is Harold's Registered Assistant and this summer will be working on emailing, mailing and calling our Jaeger Daly and Company clients, to introduce himself, to review their investments and to ask if they have any other business they may need help with. We offer our Jaeger Daly & Company clients a balance sheet at no charge, which lists assets, account numbers, beneficiaries, maturity dates, etc, all in one convenient place. We also suggest keeping a copy of this with your will or trust.

So please give Kevin a few minutes of your time when he contacts you. You will be glad you did because you will be better organized and you may have a better list of where you currently stand that is organized correctly and may also be easily updated in the future. We do this to help our clients help themselves and hopefully, in the future, be able to assist with a possible implementation of a quality recommendation to your family's financial future.

Freshman Finance 101

By **Erin Burt**
August 10, 2006
Kiplinger.com

Welcome to college. No one is here to make sure you study, do your homework or, heck, that you even get out of bed in the morning. This new-found independence also means you're responsible for managing your own money and making daily financial decisions. So while you may think you may have all your essential back-to-school gear -- backpack, computer, number-two pencils -- you'll want to make sure you bring along must-have item number-one: Good money sense. Here are ten things all new college students should know about making smart financial choices when they first arrive on campus.

1. Know what your parents are paying for and what you are expected to cover. Before you box up your room, you need to sit down with Mom and Dad to talk about money. If they're footing the entire bill, you need to discuss your monthly spending allowance and how the bills will get paid. If you're picking up part of the tab, you need to know what specifically you're responsible for, and brainstorm ideas to help you cover your share. For example, will the money come from your savings, an on-campus job or student loans?

2. Understand your financial aid. Make sure you know what is required of you to keep your support. Some scholarships, for example, require you to maintain a certain GPA, and some work-study programs may not allow you to get a second job anywhere else. Make sure you know the rules, advise the experts at the National Endowment for Financial Education. Also, scholarships aren't just for freshmen, so watch for scholarship opportunities throughout your college career.

3. Choose the right bank. One of the first things you should do upon arriving on campus is to set up a checking account. This will allow you to pay bills and manage your spending cash effectively so you won't have wads of crumpled up bills in your pocket -- or lying around your dorm. Make sure your checking account comes with a free debit card and requires a low minimum balance to avoid fees. If you can find one that pays interest, that's a great bonus because your money will grow while it sits in the bank. Select a bank with plenty of ATMs on campus so you can get cash without having to pay an extra buck or two every time you use another bank's machine.

If you don't know how to balance a checkbook, now is the time to learn. If you bounce a check -- that is, write a check without enough money in your account to cover it -- you'll have to pay an extra \$20 or \$30 every time. That can really add up. Basically, you need to write down how much money you have in your account, and every time you spend something by check or debit card, you subtract the amount to keep a current total. It's not tough; it just takes a bit of discipline. Which brings us to our next point...

4. Watch where your money goes. A budget sounds so stuffy, but it can be a beautiful thing. It allows you to know where your money is going each month so you can make sure you have enough for the things you need, and perhaps a few things that you want. It's easy to fritter away loose change on sodas and treats from the vending machine. But all those little costs can add up big. Say you spend \$3 every morning on a latte. In one month you'll have spent about \$90. If your school offers a student card that doubles as a debit card on campus, keep a close eye on that spending too.

5. Don't put the entire semester's money in your bank account at once. If your parents are pitching in for your living expenses -- or you plan to cash out savings or investments to fund your own education -- don't put all the money into your checking account at the beginning of the semester, advises Patricia A. Konetzny, a CFP in Maynard, Mass. Even with the best intentions all that extra cash could create too big a temptation. Better to roll it in on a monthly basis to cover your costs to make sure you have just as much money for the last month of the semester as you had for the first. Make it easy on yourself -- or Mom and Dad -- by arranging with your bank for each month's share to transfer automatically into your checking from a linked savings account on the first day of the month.

6. Just say "no" to credit cards. At least for now. Sure, you're 18 and legally able to get a credit card on your own, and lenders will be all too eager to give one to you. But that doesn't mean you should take the bait. It's so easy to fall into the [credit card trap](#) and find yourself relying on them too much. According to student loan provider Nellie Mae, 76% of all college students started the 2004 school year with a credit card -- and the average balance they carried was nearly \$2,200.

But because it will be easier for you to qualify for a card while in school than after you graduate, you *will* want to get a card before you don your cap and gown to help you build up a credit rating, advises Janet Bodnar, who writes the [Money-Smart Kids](#) column for Kiplinger.com. However, you should wait until your junior or senior year to avoid getting in over your head. By using your checking account and debit card for the first couple of years, you will "acquire both experience managing money and the maturity to pay your bills on time," says Bodnar.

7. Be smart about roommates. You may not be able to choose your roommates, but you can take steps to protect your finances from one. Take the long-distance phone bill for example. If your roommate talks to Mom in Australia every night and you make only a monthly call home to Texas, splitting the phone bill 50/50 won't make much sense. Some dorm rooms will allow you each to set up separate long-distance accounts where each of you must enter a PIN before placing a call. If you live off campus, some utility companies will allow you to arrange for a similar setup. Another option is to get separate phone lines entirely or rely on pre-paid calling cards or your cell phone.

Once your roomies move in, you may find that you're short a few essential items, such as cleaning supplies, a lamp or a TV. It's better for each roommate to buy an entire item on their own instead of splitting the cost. That way you'll avoid arguments over ownership later. If you do decide to share the cost on any item, however, make sure you are all clear about who gets to keep it at the end of the year. And if your roommate wants you to buy something that you don't think you'll use or you can't afford, just say no.

8. Protect your financial information. You don't want to leave cash, credit cards or other valuables lying around your dorm. So you'll need a little more protection than your sock drawer can offer. While you're out shopping for your dorm gear, pick up a small safe (for about \$100). You can use it to store your Social Security card, passport, credit cards, loose cash and other sensitive stuff from prying eyes and sticky fingers.

9. Take advantage of free or cheap entertainment. It may seem as if your education is eating up every last dime, but you don't need a lot of money to have some fun. Start by hanging out on campus and taking advantage of student art shows, musical concerts, theater productions and student film festivals. Or do some stargazing at the college observatory. These activities are often free or very inexpensive, so you could even afford to bring along a date.

You can also check for last-minute bargains on local concerts, plays and other events. When it gets down to a couple hours before a performance, the theater may start selling "rush" tickets at a fraction of the price -- it would rather sell the seats at a bargain than let them go empty. Consolidated discount ticket booths are popping up in cities nationwide, including [Austin](#), [Boston](#), [Chicago](#), [New York](#), [San Francisco](#) and [Washington, D.C.](#) It's also a good idea to ask your favorite venue about other discounts, such as standing room only, matinees and pay-what-you-can nights. Or team up with a group of friends to snag a group ticket rate.

10. And don't forget student discounts. One of the perks of being a perennially broke college student is that many venues are happy to shave a few bucks off admission for you. Ask about student discounts at the local movie theater, playhouse, amusement park or concert hall. And of course, you can get sharply discounted tickets to your school's sporting events. Plus, student discounts aren't limited to entertainment. Ask if your car insurer offers a discount on your premiums, or if your bank has any special promotions for college students.

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