

Conquering student loan debt

Financial wellness
education series



FINANCIAL LITERACY EDUCATION PROGRAMS

[Name of presenter]
[Title of presenter]

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Agenda

- 1** The student loan crisis

- 2** Managing student loan debt

- 3** Loans and tax responsibilities

- 4** Repayment plans

- 5** Student loan default and delinquency repayment options

- 6** Retirement planning

- 7** Putting it all together



The student loan crisis

Student loan debt

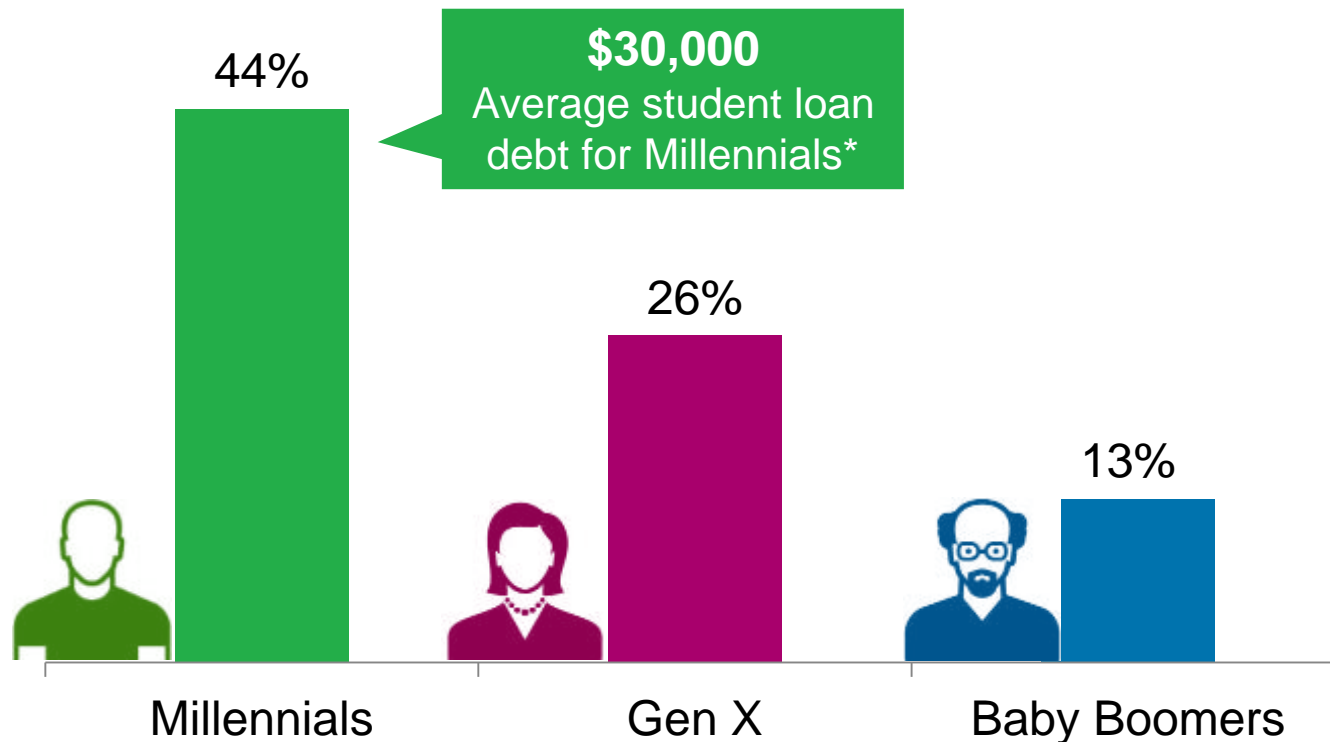
- Nationally, 7 out of 10 college graduates owe an average of \$30,000 in student loans.¹
- Americans owe over \$1.3 trillion in student loan debt, more than auto and credit card debt, exceeded only by home mortgages.²
- In 2015, the U.S. Department of Education reported that 7 million borrowers defaulted on their student loan debt.



Sources: ¹Students are graduating with \$30,000 in loans. Money.cnn.com. October 18, 2016.

² A Look at the Shocking Student Loan Debt Statistics for 2017. Studentloanhero.com. March 10, 2017.
<http://www.aft.org/news/relieving-student-debt-one-loan-time>.

Employee student loan debt



Sources: *The Average Net Worth of Millennials by Age. thecollegeinvestor.com. Last updated April 20, 2017.

Rising student loan rates

2017 – 2018 academic year

- Undergraduate federal loan rates will increase from 3.76% to 4.45%.
- Graduate student loan rates from 5.31% to 6%.
- Grad Plus and Parent Plus loans rise from 6.31% to 7%.

Source: Federal Student Loan Rates Rising for the First Time in 3 Years. Thinkadvisor.com, June 23, 2017.



Managing student loan debt

Public service employees

Public service employees

33 million

Government and
nonprofit sector
employees qualify for
public service
loan forgiveness



Only 336,000

have taken
advantage of it

Are you one of them?

Source: Public Service Loan Forgiveness. Studentdebtrelief.us.

Public Service Loan Forgiveness (PSLF)

Eligibility	Eligible loans	Requirements
<p>Full-time employees at a federal, state or local government agency, as well as nonprofit workers at an organization with a 501(c)(3) designation.</p>	<ul style="list-style-type: none">• Federal Direct Subsidized Stafford/Direct Loans• Federal Direct Unsubsidized Stafford/Direct Loans• Federal Direct PLUS Loans• Federal Direct Consolidations Loans	<ul style="list-style-type: none">• Make 120 on-time payments toward your Direct Loans*• Payments must be under a qualifying plan, such as: Income-Based Repayment (IBR), Pay As You Earn Repayment (PAYE), Revised Pay As You Earn (REPAYE), Income-Contingent (ICR) and Standard Repayment.• Work full-time at a qualifying organization. You do not have to work at the same place for 10 years to qualify.

* Only payments made after Oct. 1, 2007 can be counted toward PSLF. The earliest that any borrower will be eligible to apply for PSLF is fall 2017.

Teachers

Teacher Loan Forgiveness

Eligibility	Eligible loans	Requirements
<p>Teachers who work at low-income schools.</p> <ul style="list-style-type: none">• Go to www.tcli.ed.gov to check school eligibility status• Teachers with federal Direct Loans or Stafford Loans are eligible for up to \$17,500 forgiven if they are highly qualified full-time math or science teachers in an eligible secondary school.• Elementary or secondary teachers who teach in an area related to their academic major are eligible for up to \$5,000 forgiven. Loans originating prior to October 1, 1998 are not eligible.	<ul style="list-style-type: none">• Federal Direct Subsidized Stafford/Direct Loans• Federal Direct Unsubsidized Stafford/Direct Loans• Federal Direct PLUS Loans*• Federal Direct Consolidations Loans	<ul style="list-style-type: none">• You must teach in a low-income elementary or secondary school• You cannot have loans that originated before October 1, 1998• Your loans must not be in default• Work full-time as a teacher for five consecutive years• Be a highly qualified teacher, which means obtaining state certification and holding a license in the state you teach in

* Only payments made after Oct. 1, 2007, can be counted toward PSLF. The earliest that any borrower will be eligible to apply for PSLF is fall 2017.

If you **only** have PLUS loans, you are not eligible for this program.

Teacher Cancellation for Federal Perkins Loan

Eligibility	Eligible loans	Requirements
<p>Full-time teachers at low-income public or nonprofit elementary or secondary schools or those that specialize in certain subjects, like math, science, and special education, as well as teachers working in a private school that has its nonprofit status, working at an educational service agency or teaching in a designated subject shortage area.</p>	<ul style="list-style-type: none">• Federal Perkins Loans	<ul style="list-style-type: none">• Teachers must work full-time for a full academic year to qualify for loan cancellation, which may include:<ul style="list-style-type: none">– 15 percent of their loans cancelled for the first and second years of service– 20 percent of their loans cancelled for the third and fourth years of service– 30 percent of their loans cancelled for the fifth year of service

State-sponsored Teacher Loan Forgiveness Programs

Eligibility	Eligible loans	Requirements
New York Teachers must work for six years in an authorized New York City Department of Education school	Up to \$24,000	<ul style="list-style-type: none">• Possession of an appropriate New York State initial or provisional certificate corresponding to one of the shortage areas - or -• An official letter from the college/university indicating that they have satisfactorily completed a state approved education program• Bilingual areas require possession of a bilingual extension to the certificate• Proof of U.S. Citizenship or Permanent Residency
Texas Teachers that work in a field as well as a community, where there is a shortage of teachers	Up to \$2,500	
Illinois Teachers who work in low-income schools	Up to \$5,000	<ul style="list-style-type: none">• Be a U.S. citizen or an eligible non-citizen• Be an Illinois resident• Be a borrower who has had an amount of your educational loans forgiven under the federal government's loan forgiveness programs• Have a balance remaining on your eligible student loan(s)• Have fulfilled your five-year teaching obligation in an Illinois elementary or secondary school designated as a low-income school

Doctors and lawyers

Special forgiveness programs for doctors by state

State	Program	Eligible amount	Requirements
New York	The Regents Physician Loan Forgiveness Award Program	Up to \$10,000 per year, for two years	<ul style="list-style-type: none">• Licensed in New York State• Have completed residency in the past five years• Must work in a specific area or work with an underserved population
	Physician Loan Repayment – Qualified Educational Loan Repayment	Up to \$150,000	<ul style="list-style-type: none">• Physicians that commit to a five-year term of working in an underserved region
Washington	The Health Professional Loan Repayment Program	Up to \$35,000 per year, for two years	<ul style="list-style-type: none">• Healthcare professionals must provide primary care in an underserved or rural area
Pennsylvania	Pennsylvania Primary Health Care Loan Repayment Program	Up to \$100,000	<ul style="list-style-type: none">• Physicians must be licensed in Pennsylvania• Work full-time with medically underserved population

Special forgiveness programs for lawyers by state

State	Program	Eligible amount	Requirements
Washington D.C.	The District of Columbia Bar Foundation Loan Repayment Assistance Program	Up to \$12,000 annually	<ul style="list-style-type: none">• Work in the law field for at least 17 hours per week• Work with low-income communities• Resident of D.C.• In good standing with the bar
Florida	The Loan Repayment Assistance Programs for Lawyers	Up to \$5,000 annually	<ul style="list-style-type: none">• Lawyers who work at legal aid or legal services organizations• Work full-time or part-time for a year
Michigan	The John R. Justice Student Loan Repayment Program	Up to \$10,000 annually, for a maximum of \$60,000 forgiven	<ul style="list-style-type: none">• Attorneys who work in certain sectors, like juvenile delinquency• Must be licensed in Michigan• In good standing with the bar

Older Americans

Student loan debt among older Americans

Older Americans represent the fastest-growing segment of the U.S. student loan market¹

2.8 million²

Americans over age 60 with outstanding student loan debt

37%²

Americans over age 65 in default on their federal student loans



\$66.7 billion²

Student loan debt older Americans are now carrying into retirement

73%²

Older Americans have loans to finance children's and grandchildren's education

Sources: ¹More People Over 60 Are Struggling to Pay Off Student Loans, Report Finds. www.npr.org. January 17, 2017.

²The Student Loan Crisis of Older Americans, Forbes, January 6, 2017.

Social Security offset

- Student loan in default may be certified as eligible for offset, which is garnishment
- Certain monthly federal payments, such as tax refunds and Social Security benefits, are used to offset the defaulted loan
- In 2015, seniors had \$171 million garnished from their Social Security and disability benefits due to their loan defaults
- Government may not garnish more than 15% of a senior's Social Security benefit or any amount that cuts their checks below \$750 a month
- 75% of older borrowers were subject to offset on loans for their own education

Source: Social Security Offsets: Improvements to Program Design Could Better Assist Older Student Loan Borrowers with Obtaining Permitted Relief. www.gao.gov. December 2016.

What to do if you are struggling with student loan debt?

- Seek a payment plan to lower your monthly bill
 - Consolidation
 - Income-driven repayment plans
- Understand your rights and responsibilities as a co-signer
- Know how to protect your Social Security income
- File a complaint

Source: Older Americans are Sacrificing Retirement to Pay Off Student Debt. www.consumerreports.org. January 5, 2017.



Loans and tax responsibilities

Loan forgiveness

- **Student loan cancellation**

You may not have to include any amount of income for tax purposes if you work:

- For a certain period of time
- In certain professions (medicine, nursing, teaching and law)
- For any of a broad class of employers

(The cancelation of your loan won't qualify for tax-free treatment if it is canceled due to unsatisfactory services you performed for the educational institution that made the loan or other organization that provided the funds.)

- **Student loan repayment assistance**

Student loan repayments made to you are tax-free if you received them for any of the following:

- The National Health Service Corps (NHSC) Loan Repayment Program (NHSC Loan Repayment Program).
- A state education loan repayment program eligible for funds under the Public Health Service Act.
- Any other state loan repayment or loan forgiveness program that is intended to provide for the increased availability of health services in underserved or health professional shortage areas.



Repayment plans

Ineligible for student loan forgiveness or cancellation?

Options to consider

Loan deferment	Loan forbearance	Direct consolidation loan	Private consolidation loan
<ul style="list-style-type: none">• Delays payments for months or years while pursuing a degree	<ul style="list-style-type: none">• Allows borrower to temporarily stop making payments or reduce the amount paid	<ul style="list-style-type: none">• Allows borrower to combine multiple federal education loans	<ul style="list-style-type: none">• Allows borrower to combine multiple private education loans• Cannot be consolidated with federal student loans

Student loan repayment plans

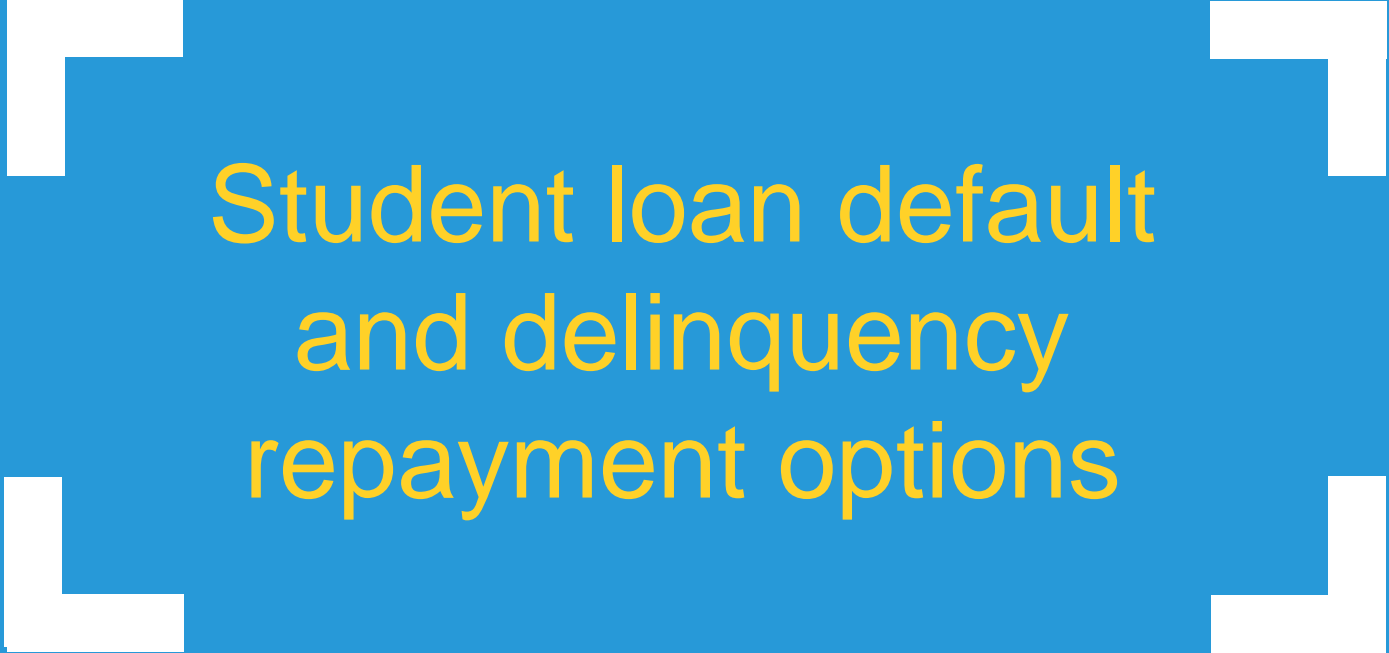
Type	Description
Standard Repayment Plan	Default repayment plan established once you graduate from college, unless you enroll in a different repayment plan with your lender
Graduated Repayment Plan	Starting repayment amount is lower than the Standard Repayment Plan, but it increases every two years
Extended Repayment Plan	Repayment will be for 25 years, instead of the standard 10 years
Income-Driven Repayment Plans	Lowers your monthly loan payment amount based on your income

Types of income-driven repayment plans

Type	Payment amount
Income-Based Repayment (IBR)	<p>Ties what your monthly payment is to your discretionary income and forgives any leftover balance at the end of the repayment period</p> <ul style="list-style-type: none">• For loans prior to July 1, 2014, payment amount is generally 15% of borrower's discretionary income, but never more than the 10-year Standard Repayment Plan amount. Offers forgiveness after 25 years.• For loans on or after July 1, 2014, payment amount is generally 10% of borrower's discretionary income, but never more than the 10-year Standard Repayment Plan amount. Offers forgiveness after 20 years.
Pay-As-You-Earn (PAYE)	<p>For graduates who first borrowed federal student loans after October 1, 2007, and took out an additional loan after October 1, 2011.</p> <ul style="list-style-type: none">• Payment amount is generally 10% of borrower's discretionary income, but never more than the 10-year Standard Repayment Plan amount
Income Contingent Repayment (ICR)	<p>For borrowers with federal direct loans only. Your income and tax filing status and the number of people in your household determine your monthly payment. Offers forgiveness after 25 years.</p> <ul style="list-style-type: none">• 20% of your discretionary income, or• What you would pay on a repayment plan with a fixed payment over the course of 12 years, adjusted according to your income

Loan repayment responsibility after borrower's death

Loan type	Repayment responsibility
Federal student loan (with or without co-signer)	The loan is forgiven and no one owes any money
Federal PLUS loan	Loan is forgiven but the parents (or spouse) will owe taxes on the forgiven loan
Private lender with co-signer	The loan is not forgiven and the co-signer owes the remaining balance
Private lender without co-signer	The loan is not forgiven and the lender will attempt to collect the amount due from the estate of the student



Student loan default
and delinquency
repayment options

Defaulting on a student loan



- Direct Federal loan: 270 days of non-payment
- Federal Family Education loans: 330 days of non-payment
- Consequences
 - Entire unpaid balance of loan and interest becomes due and payable immediately
 - Lose eligibility for deferment, forbearance and any repayment plans
 - You lose eligibility for additional federal student aid
 - Loan is assigned to a collection agency and reported to credit bureaus
 - Student loan debt will increase
 - You are subject to wage garnishment by your employer and legal action by lender

Source: <http://forgivemystudentdebt.org/how-to-get-out-of-default/>

Student loan delinquency



- Missing just one payment
- Delinquency for 90 days will result in status report to credit bureaus
- Results in negative credit score affecting the ability to:
 - Open credit cards
 - Sign up for utilities without a deposit
 - Get renter's, home owner's or auto insurance
 - Get a cell phone plan
 - Get approval to rent an apartment

Source: <http://forgivemystudentdebt.org/how-to-get-out-of-default/>

Student loan default and delinquency repayment options

Options for repaying defaulted federal student loans

Voluntary	
Option	Description
Payment in full	Borrower agrees to pay the entire balance owed
Compromise	Borrower agrees to a reduced overall payment to satisfy the debt(s) in full
Loan consolidation	Borrower agrees to combine multiple federal student loans into one loan and resume repayment
Loan rehabilitation	Borrower agrees to make nine on-time monthly payments within 10 months

Involuntary	
Option	Description
Treasury Offset Program	After notification from the Department of Education, the Department of the Treasury or states offset certain federal or state payments owed to the borrower, such as federal or state income tax refunds and Social Security retirement or disability benefits
Wage garnishment	Education requires borrower's employer to withhold funds from borrower's pay and send the funds to Department of Education
Litigation	After referral from Department of Education, Department of Justice begins litigation against the borrower



Retirement planning

Participate in your employer-sponsored retirement plan

Benefits of participating



Automated savings

Automatic payroll deduction



Tax advantages

Tax-deferred growth

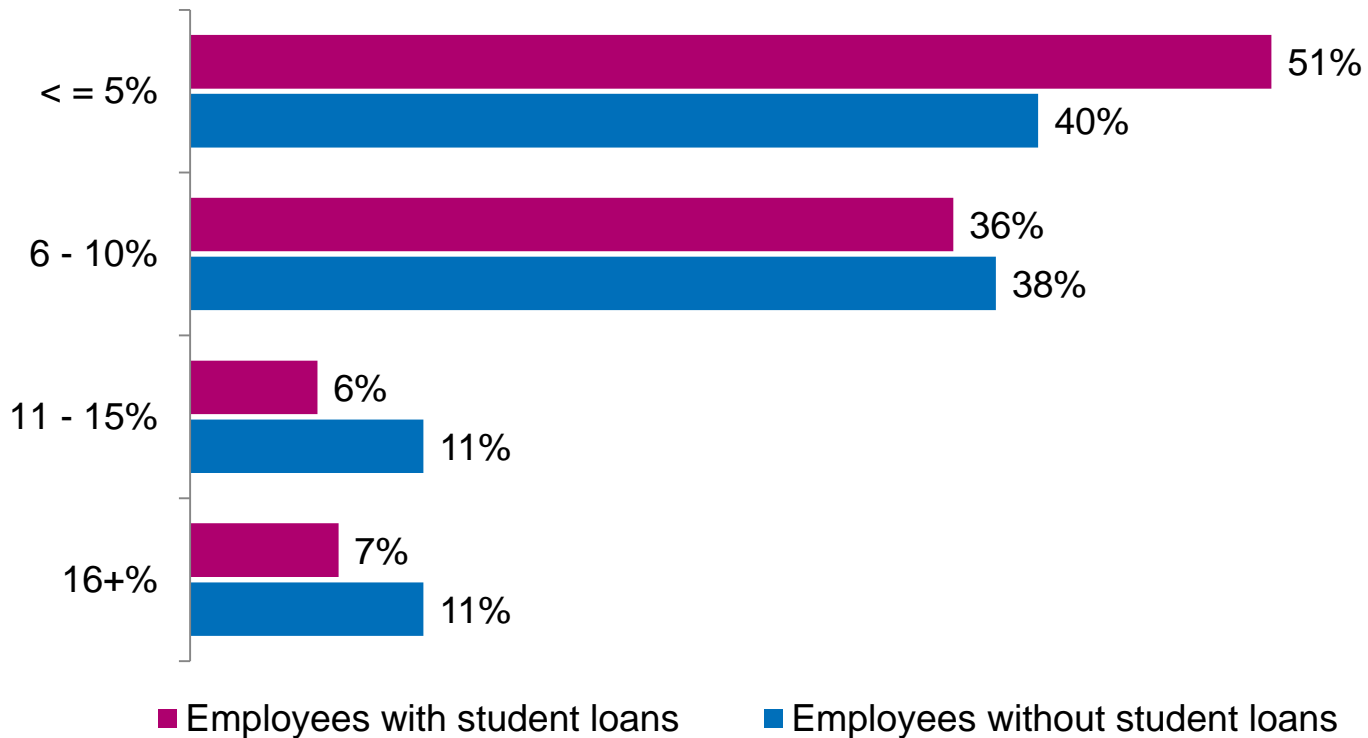


Matching contributions

Helps increase your savings

Student loan debt could greatly affect retirement savings

Percent of salary contributed to retirement plans



Source: Student loans can smother your retirement savings. Cnbc.com. October 19, 2016.

Monthly payments under IBR

Federal Poverty Level (FPL)

- A measure of income level issued annually by the Department of Health and Human Services.
- Federal poverty levels are used to determine your eligibility for certain programs and benefits.
- FPL amounts currently used by DOE for IBR (01/01/2017).

			Income					
Federal Poverty Level { FPL)	150% of FPL		20,000	30,000	40,000	50,000	60,000	100,000
\$12,060 for individuals	\$18,090	10%	\$16	\$99	\$183	\$266	\$349	\$683
\$16,240 for a family of 2	\$24,360	10%	\$0	\$47	\$130	\$214	\$297	\$630
\$20,420 for a family of 3	\$30,630	10%	\$0	\$0	\$78	\$161	\$245	\$578
\$24,600 for a family of 4	\$36,900	10%	\$0	\$0	\$26	\$109	\$193	\$526
\$28,780 for a family of 5	\$43,170	10%	\$0	\$0	\$0	\$57	\$140	\$474
\$32,960 for a family of 6	\$49,440	10%	\$0	\$0	\$0	\$5	\$88	\$421
\$37,140 for a family of 7	\$55,710	10%	\$0	\$0	\$0	\$0	\$36	\$369
\$41,320 for a family of 8	\$61,980	10%	\$0	\$0	\$0	\$0	\$0	\$317

Calculating repayment: How much can you save?

Scenario:

- First-year teacher earning \$39,500 per year, single, no dependents

Estimate of payments (Income Sensitive Plan)	
Public Sector Loan Forgiveness	
Interest rate	6.80%
Balance	\$50,000
Monthly payment	\$178.42

Month	Remaining balance	Your monthly payment	Interest	Balance
1	\$50,000.00	\$178.42	\$283.33	\$50,104.91
12	\$51,187.31	\$178.42	\$290.06	\$51,298.95
24	\$52,569.56	\$178.42	\$297.89	\$52,689.03
36	\$54,048.78	\$178.42	\$306.28	\$54,176.64
48	\$55,631.80	\$178.42	\$315.25	\$55,768.62
60	\$57,325.80	\$178.42	\$324.85	\$57,472.30
72	\$59,138.80	\$178.42	\$335.12	\$59,295.50
84	\$61,078.93	\$178.42	\$346.11	\$61,246.62
96	\$63,155.17	\$178.42	\$357.88	\$63,334.63
108	\$63,377.08	\$178.42	\$370.47	\$65,569.13
120	\$67,754.89	\$178.42	\$383.94	\$67,960.41

Standard repayment	
10-year repayment	
Interest rate	6.80%
Monthly payment	\$575.42
Annual savings	\$4,763.96

How much did you save?	Total interest rate saved over 10 years	\$47,640
	Total principal forgiven	\$67,960
	Total amount of savings	\$115,600.01

Case study



Susan: Age 30		
Employer plan contribution	4%	6%
Balance at age 65	\$351,407	\$527,110

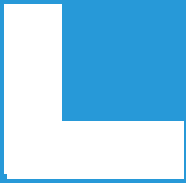
Difference of \$175,703!

Hypothetical example assumes matching employer contributions, a 2% raise every year and an annualized 6% in investment returns.

Source: Student loans can smother your retirement savings. Cnbc.com. October 19, 2016.



Putting it all together



Putting it all together

Using financial calculators

Your estimated total is \$12,411 after 20 years.

Savings inputs

STARTING AMOUNT:	\$100	\$1	\$5	\$10	\$100
YEARS TO SAVE:	20	10	30	40	100
RATE OF RETURN:	0.25%	5%	4%	8%	12%
ADDITIONAL CONTRIBUTIONS:	\$50	\$1	\$5	\$10	\$100
FREQUENCY:	PER MONTH				
INTEREST:	COMPOUND PER YEAR				

Savings calculator

\$204 a month will pay off balance in 24 months.

Credit card information

CURRENT BALANCE:	\$1,000	\$5	\$10	\$100	\$1k
INTEREST RATE (APR):	17.9%	5%	10%	20%	30%
PAYOFF GOAL (IN MONTHS):	24	1	40	80	120
CURRENT MONTHLY PAYMENT:	\$1.21	\$5	\$10	\$50	\$100
ADDITIONAL MONTHLY CHARGES:	\$1.00	\$1	\$5	\$10	\$100
ANNUAL FEE:	\$1.00	\$1	\$5	\$10	\$100

Planned major purchases:

Debt calculator

You may need to save more.

Retirement plan inputs

CURRENT AGE:	45	14	30	44	50
AGE OF RETIREMENT:	67	10	30	44	50
ANNUAL HOUSEHOLD INCOME:	\$30,000	\$1	\$1k	\$10k	\$100k
ANNUAL RETIREMENT SAVINGS:	5%	1%	10%	10%	100%
CURRENT RETIREMENT SAVINGS:	\$1,000,000	\$1	\$1k	\$10k	\$100k
EXPECTED INCOME INCREASE:	7%	1%	10%	10%	100%
INCOME REQUIRED AT RETIREMENT:	20%	4%	10%	10%	100%
YEARS OF RETIREMENT INCOME:	1	1	10	20	100

Investment returns, Inflation and Social Security:
7% pre-retirement, 4% in retirement, 3.5% Inflation, Include Social Security? No

Retirement planning calculator



Putting it all together

Consider working with VALIC Financial Advisors, Inc. (VFA)



For more than half a century, VALIC has helped Americans plan for and enjoy a more secure financial future.

Putting it all together

Retirement Pathfinder[®]

Get real-time answers to your questions:

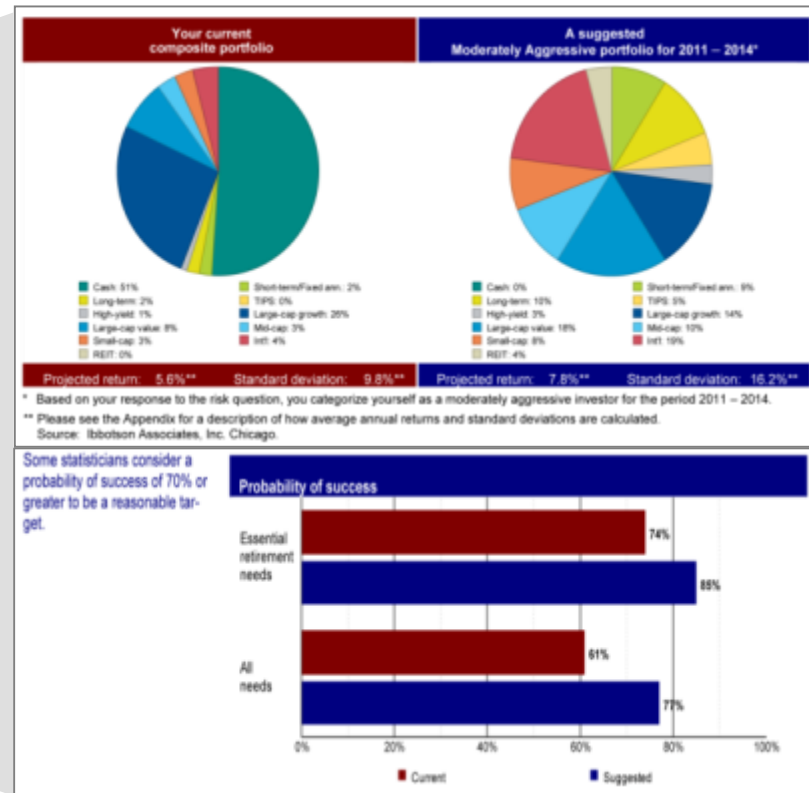
- Can I retire when I planned?
- How much monthly income will I need?
- Am I currently saving enough?
- Is it possible to guarantee my retirement income?
- Will I outlive my retirement savings?
- What happens if I die prematurely?



Putting it all together

Financial 360 Plan

Provides a customized analysis of your financial situation



Evaluation

Seminar evaluation form

Date of seminar: _____ Name of presenter: _____
Would you like to schedule a complimentary consultation?
___ Yes ___ No
Name: _____
Day phone: _____
Evening phone: _____
E-mail address: _____
(Please indicate your preferred contact method.)
Please rate the overall seminar
Not very good 1 2 3 4 5 Excellent
How very good 1 2 3 4 5 Excellent
1. What did you find of particular interest in today's seminar?

2. How could we improve this seminar?

3. What other topics would you like to learn more about?

4. How many of your friends or associates benefit from this presentation?
If so, may we invite them to a future seminar?
Name: _____ Telephone: _____
Name: _____ Telephone: _____

Seminar evaluation form

Date of seminar: _____ Name of presenter: _____
Would you like to schedule a complimentary consultation?
___ Yes ___ No
Name: _____
Day phone: _____
Evening phone: _____
E-mail address: _____
(Please indicate your preferred contact method.)
Please rate the overall seminar
Not very good 1 2 3 4 5 Excellent
1. What did you find of particular interest in today's seminar?

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4. Would any of your friends or associates benefit from this presentation?
If so, may we invite them to a future seminar?
Name: _____ Telephone: _____
Name: _____ Telephone: _____

Helpful resources

Agency	Contact information
U.S. Department of Education	Ed.gov
Federal Student Aid Information Center (FSAIC)	Studentaidhelp.ed.gov 1-800-4-FED-AID (1-800-433-3243)
FSAIC - FAFSA Application	Fafsa.ed.gov
Federal Student Loan Support Center	Studentloans.gov/myDirectLoan/contactUs 1-800-557-7394
Debt Management and Collections System	www.myeddebt.ed.gov 1-800-621-3115
IBRinfo – Initiative of the Institute for College Access & Success	Ibrinfo.org

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Conquering student loan debt

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Thank you!

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