

 **BUILDING BLOCKS STUDENT WORKSHEET**

Understanding how much student debt you can afford

When choosing a college or other post-secondary institution, it's important to consider how much debt you may have to pay back after graduation. Deciding ahead of time how much student debt you can handle can ease your financial burden in the future.

Instructions

- 1 Read the scenario.
- 2 Complete the calculations for each potential career path.
- 3 Answer the reflection questions.

The scenario: How much student debt can you afford?

Congratulations! You're about to begin your freshman year at a four-year public university. The loans you've been offered through your financial aid package will result in a loan balance of \$26,946 when you graduate. Let's say that's about \$279.26 per month for 10 years with interest. To be a responsible borrower, you want to make sure you'll be able to make these monthly payments without too much struggle. You've heard that a good rule to live by is to try to keep your total student debt to a small percentage of what you expect to earn as a starting annual salary when you graduate. You decide that you'll budget up to 10 percent of your monthly gross income for debt repayment.

NOTE

The loan amount, monthly payment, and salaries are examples only.



What career may help you to afford the debt you'll take on to go to this school?

You've identified four careers you think you'd be good at and enjoy. The university you plan to attend has majors related to all of them. Determine which careers offer a salary that would make your loan payments affordable after you graduate.

1. Calculate the monthly gross income for each career you're interested in.
2. Calculate your monthly loan payment budget (10 percent of your monthly gross income).
3. Determine whether you can afford this loan amount on this salary.

Occupation	Starting annual gross income	Monthly gross income (annual ÷ 12)	Budget allocation (10% of monthly gross income)	Monthly student loan payment	Can you afford this much debt?
Chemical engineer	\$62,230	\$	\$	\$279.26	<input type="checkbox"/> Yes <input type="checkbox"/> No
Graphic designer	\$28,560	\$	\$	\$279.26	<input type="checkbox"/> Yes <input type="checkbox"/> No
Human resources specialist	\$35,810	\$	\$	\$279.26	<input type="checkbox"/> Yes <input type="checkbox"/> No
Social worker	\$29,560	\$	\$	\$279.26	<input type="checkbox"/> Yes <input type="checkbox"/> No

Reflection questions

1. What did you learn about student loans that you didn't know before? (List at least two things.)

2. Based on what you learned in this activity, how much total student loan debt would you feel comfortable having after you graduate? What percentage of your salary would you want to allocate for loan repayment once you graduate? Explain why you think this.



Finaid.org offers free calculators that cover a range of payment scenarios for federal and most private student loans at <http://finaid.org/calculators/loanpayments.phtml>.