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It takes four years, on average, to graduate from most colleges and universities. During that time, students can amass some hefty debts. For many people, the degree is worth the burden of accumulated debt. However, these questions remain: How should the debt be repaid? Are there any plans that can help make "payback" easier? What if the student cannot find a job right away?

Today, there are plans available that offer flexible payment schedules. Students applying for a Federal student loan can choose a **graduated repayment plan** that will allow them to make smaller payments upon graduation and larger payments at a later time when they may be earning more money in the working world.

Students also have the choice of an **income-contingent repayment plan**. This plan requires them to pay a fixed percentage of their postgraduate income toward their student loan. This percentage could be approximately 5% to 10% of anything above the poverty level of a single person, which is $10,830 according to the Department of Health and Human Services (2010).

A third choice is an **extended repayment plan** that offers monthly payments and allows graduates to extend their loan payment schedules from 10 to 15, or even 20, years.

Deferment or forbearance may also be a temporary option for graduates in a financial bind due to unemployment or other extreme circumstances. In select situations, borrowers may qualify for other repayment alternatives through their loan servicers.

Consolidation Offers Flexibility

There is also good news for students who are already debt laden. Under the Student Loan Reform Act of 1993, existing loans can be consolidated with a direct loan from the government. This plan offers a more flexible repayment schedule while interest rates remain the same.

To be eligible for this plan, student loan recipients need to ask their original lender for an "income sensitive" repayment option. This plan adjusts the monthly payments for the loan's capital, but not the interest, to annual income. If the original lender will not agree to this option, the student may then be eligible for a direct loan from the government.

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Reaching Retirement

Ah, retirement! You are now armed with the hard-earned wisdom of the years and are anticipating what the future will bring. After the retirement party is over, you may feel aimless and unsure of what lies ahead. Rather than viewing retirement as an ending, why not consider it an unparalleled opportunity to pursue new and exciting possibilities?

Many people, either out of necessity or choice, have made work the focal point of their lives. Indeed, high achievers and "workaholics" typically have little time for anything else. But, even for those for whom work is not all-consuming, its role in building and maintaining self-esteem mustn't be underestimated. It may take some time for you to realize it, but multiple avenues of possibility do exist for a fulfilling life outside of work. It's time to look forward to exploring those opportunities.

Carpe Diem!

Retirement offers the perfect chance to seize the day and set new life goals. You may now have the freedom to diversify your activities and do things that may have once seemed impossible. Some people may enjoy charitable work, while some may wish to pursue hobbies and other activities of interest. Still others may prefer RV travel or cruising to exotic ports of call.

Your retirement lifestyle might look something like this: part-time work to fulfill productivity needs; charitable work to give back to your community; adult education to rekindle the joy of learning; and sports and exercise for fitness and fun.

Is such a lifestyle really possible after retirement? The answer may depend on how well you have planned financially. Review your present financial situation. Start by assessing your income and assets versus your expenses and liabilities. If your debts exceed your assets, develop a plan to pay down your debt to avoid facing it in retirement.

Perhaps you have some savings but wonder if it will be enough to provide for all of your needs and wants in retirement. If that is the case, start by projecting your retirement funding needs, and then determine the amount you must begin setting aside monthly and yearly to close the gap between that goal and your current assets. When projecting your expenses in retirement, it's important to consider inflation. In addition to creating higher costs for goods and services, inflation creates depreciation in currency values; in other words, more dollars are needed to purchase the same amount of goods and services. As time goes on, one of your greatest financial challenges will be making sure that your savings exceed inflation.

Retirement presents you with the golden opportunity to live your life around your interests and your desires—instead of around a job or a career. Figuring out what you want to do may be challenging, but it can also be enlightening. Your horizons are limited only by your imagination. Shakespeare wrote of the "many stages of man," and while retirement may be "just another phase" to some, it may open the door to infinite possibility for others. Opportunities are everywhere. Sometimes, the world looks different when viewed through a new window!

paying back student loans

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Two advantages of a direct government loan are as follows: First, the monthly installment payments of principal and interest are contingent upon income. Because the payments are withdrawn from wages, there will be less paperwork. Second, as wages increase, the percentage withdrawn from pay will also increase, allowing the loan to be paid off more quickly and with less accrued interest.

For students who need to borrow for the current school year, direct loans (and the income-adjusted repayment plan) are also available if they're attending one of the schools participating in this plan. Parents may also be able to obtain a Direct PLUS loan for up to the entire cost of their children's college education.

For more information, contact the Federal Student Aid Information Center at 800-433-3243, or check them out online at www.studentaid.ed.gov.

Keep Debt in Check

At some point, nearly every one has accumulated personal debt. Whether debt is a cause for concern depends upon a number of factors, including how the economy is functioning, your particular earning and economic prospects for the short and long term, and the type of debt you incur. By being conscious of spending habits, including credit card use and large purchase habits, you can better understand ways to control debt—before it starts to control you.

Debt Management Simplified

In order to properly manage debt, it is important to distinguish between "good debt" and "bad debt." From a purely financial perspective, good debt is borrowing in order to purchase an asset that is likely to appreciate in value (e.g., a home or business). In some cases, good debt may become "better" if, for instance, you itemize certain repayments (e.g., home mortgage interest) on your tax return and, as a result, qualify for certain tax deductions.

On the other hand, bad debt is borrowing in order to purchase an asset that is likely to depreciate in value (e.g., an automobile) or borrowing for nonasset consumption (e.g., a vacation). And, bad debt has been made "worse" now that the government has limited tax deductions for certain kinds of debts (e.g., interest on personal loans and credit card debt is no longer tax deductible).

In order to manage your debt effectively, it is helpful to consider the following points:

Get a "Snapshot" of Your Debt. Ask yourself how much "good" and "bad" debt you have. Then, categorize your debts as short-term (e.g., credit card), intermediate-term (e.g., car loans), and long-term (e.g., mortgage and home equity).

Pay Off the "Right" Debt First. It generally makes sense to pay off high interest debt first, particularly if the interest is not tax deductible. Stretching out payments is most appropriate for intermediate- and long-term debt. For short-term debt, try to keep enough money in savings to pay it off, if necessary.

Limit Your Credit Card Use. Credit cards may make life easier, but they can also tempt you to live beyond your means. If you tend to use credit cards to purchase consumables, rather than assets that appreciate, you may want to reduce your dependence on them. It is also best to try to avoid the minimum payment trap. By making only the minimum monthly payment, the interest that accumulates as you stretch out payments can make even "bargain" purchases costly in the long run.

Control Impulse Spending. If you have a tendency toward impulse spending, avoid shopping unless you have a specific purpose. Or, try delaying your impulse purchases for 24 hours. You may find the desire passes once you've had a chance to sleep on it.

Be Realistic

Spending is not always based on purely financial considerations. It can be complicated by emotional factors that can cause confusion between things we think we need and things we really do need. Nevertheless, the reality of living in today's world leaves most of us with little choice but to amass some "bad debt." However, common sense strategies (such as the ones outlined above) can help you control your debt and make it more manageable to live within your means.

Understanding the Importance of Insurance

An unexpected event such as a death, disability, or other personal loss is certainly not something for which you can easily plan. Yet, the financial ramifications can be staggering—not only to you, but to your family, as well. Therefore, it is important to create a **risk management** plan as part of your overall financial strategy.

Insurance, in all its varied forms, is simply a method for managing risk. In order to plan an effective insurance program, consider what risks you and your family are exposed to and how financial loss would affect you. For each risk exposure, the key elements to consider are the severity and possibility of loss.

All Risks Are Not Created Equal

Some risks may be so small that you decide to accept full responsibility for any potential loss. In insurance language, you "self-insure" for such risks. For example, it is rarely cost-effective to carry collision coverage on a ten-year-old automobile. Collision coverage generally pays actual cash value, and since a ten-year-old car may have little current fair market value (FMV), it is common to self-insure in such cases. In making this choice, you assume full responsibility for any accidental damage you may cause to the vehicle.

In other situations, the risk may be so large (or the cost of any potential loss so great) that the best strategy is to try to avoid the risk entirely. You practice risk avoidance in daily life when you say something is "not worth the risk."

Sometimes, risk can be reduced. For example, installing an automobile anti-theft device or home security system is a strategy to reduce the risk of loss.

Risk Transfer and Risk Sharing

Insurance is a method that allows you to transfer risk you cannot reasonably afford, or choose not to accept. Since you may be unable to afford to rebuild your home in the event of fire, for example, you may choose to transfer that risk to an insurer by purchasing a **homeowners policy**. Even in situations of risk transfer, it is common to share some risk. For example, the deductibles and premiums you pay for insurance are a form of risk sharing—you accept responsibility for a small portion of the risk, while transferring the larger portion of the risk to the insurer.

Consider these other important insurance options. Between the ages of 25 to 35, for example, many couples are just starting out—getting married and establishing families and careers. During these years, the death of one partner could seriously jeopardize the surviving spouse's or family's financial future. In such situations, **life insurance** can be used to help create an "instant estate." A life insurance policy death benefit can help provide a source of income, pay off a mortgage, or fund a child's education.

Additionally, many people give little thought to how they would handle financial responsibilities, such as mortgage payments, car payments, college tuition, and utility expenses, if their income suddenly stopped for an extended period of time. **Disability income insurance** can help replace a portion of income, should you experience a qualifying disability.

Taking a closer look at different types of risk that may affect your family can help you answer some important questions. What should I insure? What type of insurance do I need? How much coverage should I purchase? Remember, the fundamental rationale behind all forms of insurance is to determine what risks can be shared or transferred on a cost-effective basis.

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