

MANAGERS MESSAGE

January 2012

I am scrambling to get my first message for 2012 completed before the end of January. Listening to the State of the Union address last night made me think even more of the concern of rising higher education costs and the debt it has created.

According to a Moody's analysis, student loan debt has increased by at least 10% in each year since 2000. The amount of American student loan debt now exceeds the total amount owed on credit cards. The average student loan debt for a 2011 graduate is expected to be \$22,900, the most ever.

As a parent of three post high school age daughters, I understand the financial window of saving for college expense. It is between the years when we are done purchasing diapers and before they start preschool. It was my strategy to accumulate a small nest egg during those months and rely on the power of compound interest to create the college super fund.

As a result of poor compounding (and some poor toilet training), our funds did not cover education expense. Now we have student loan debt to address.

Listed next are some tips on dealing with student loan debt:

- Figure out how much you owe and to whom. Now you can budget appropriately and explore when consolidation makes sense.
- Continue to live like a student. You already know how to live cheaply, continue and address the debt.
- Avoid other debt. Hold off on other purchases until comfortable with debt budget.
- Get a second job. (I am assuming you have a first one)
- Pay the loans off as fast as you can. You will be provided several options. The longer you pay, the more interest expense will occur.
- Look for advantages. Some private employers will help. Also, some public service and government agencies may qualify you for loan forgiveness.
- Inquire about hardship status. If you are unable to pay, stay in contact and avoid the delinquency that will affect your credit score.

That is my advice for this month. Now, I have to explain to my wife my strategy of compound interest and our retirement account.

Thanks for being a credit union member. . E-mail me at john@dawsonco-opcu.com with any concerns or comments.
John Nevins