



Planning for Successful Repayment

As a law student, you probably have federal and private loans that will become due upon graduation. You may not be worried about it yet, but there are things you can do now to prepare yourself for successful repayment. Establishing and protecting your good credit is essential for your financial future, and planning ahead will help you achieve your goals.

It is essential to keep good records of the loans you are taking out for your education. Unfortunately, it is common for students to sign the promissory note for their student loans without understanding the terms and conditions of that loan. To plan for repayment, you must keep track of your loan amounts, interest rates, and repayment terms. This information will help you estimate your monthly payments. You should plan to pay \$125 each month for every \$10,000 you borrow. This estimate assumes an interest rate of 8.25%, which is the maximum interest rate for Stafford Loans. If your interest rate is less than 8.25%, your monthly payment may also be lower. However, it is better to be conservative in your approach to ensure you are prepared for your payments.

After you record your loan amounts and projected monthly payments, you may want to estimate your monthly income after graduation. It is very important to be realistic. You may not land your dream job immediately, so don't plan for a windfall upon graduation. You should spend some time researching starting salaries for attorneys in your area. This will also give you the opportunity to look into the availability of jobs and will give you an idea of how long it may take you to find employment.

Once you have estimated your monthly loan payments and income, you have the basics for a personal budget. When setting up your budget, include as many expenses as possible. You should include amounts for housing, food, loan payments, utilities, transportation, credit card payments, entertainment, and clothing. Even though it is easy to borrow student loans, remember that it may not be easy to repay them. Do not borrow more than you really need because this will affect your budget and expenses once you graduate.

Try to anticipate your future lending needs. Will you be taking out more loans to finish school? Will you need a loan to cover your expenses while you are studying for the bar? It is better to overestimate and include too many expenses than to find out the hard way that you are overextended. Include as many expenses in your budget as you can foresee.

Another critical aspect of your budget is to plan for savings. Even if you only set aside a small amount each month, your savings will provide you with a cushion in case of unplanned difficulties or emergencies. You should consider your savings as an expense so that it does not seem optional. "Pay" your savings each month as you would any other bill.



Evaluate your budget to determine if you will have the resources to meet your obligations and maintain your lifestyle requirements. If your money seems like it will fall short, you may need to make adjustments to your budget or find ways to decrease your expenses. Perhaps you will need to rent a smaller apartment than you had planned, or buy a used car instead of a new one. Look for ways to live within your means and prevent overspending.

While you are attending school, and after you graduate, be sure to establish and protect your good credit rating. Make all payments on time, use cash instead of credit cards, and monitor your spending habits. Your credit history follows you for several years, so do your best to prevent damaging your credit. Spend wisely and do not make financial commitments you are not in a position to repay.

Another tool you may effectively use is goal setting. You have already set professional goals for yourself by attending law school. Now may be the time to set some financial goals as well. Maybe you would like to own a home by the time you turn 30, or have \$10,000 in savings. Whatever your goals are, write them down and put them somewhere you will see them. Remind yourself what you are working towards and make conscious decisions to manage and minimize your debt.

It is never too early to establish good financial habits. While you are in school, plan for your future by monitoring your education loans, budgeting, and saving. Keep your estimates conservative and realistic, and identify future financial needs. You will be able to plan for successful repayment of your education loans by understanding your debt, realizing your limitations, and being prepared for your financial prospects.