

## Student Loan Plan

John and Jane Doe  
 January 1, 20\_\_

### Background:

John and Jane are a young, dual physician couple living in Lexington, KY. John is a Family Medicine resident going into private practice starting July 2018. Jane is a General Surgery resident, expecting to work for the University of Kentucky, a 501(c)(3), beginning in July of 2019. Jane plans to go for PSLF and has made 27 qualifying payments towards this goal.

### Proposed Federal Loan Payoff Summary:

Loan Payoff Summary				
	Current Plan		Recommended Plan	
Borrower	John	Jane	John	Jane
Current Federal Loan Balance	\$228,841	\$495,503	\$228,841	\$495,503
Payment Plan	NA	NA	RePAYE	PAYE
Beginning Monthly PMT*	NA	NA	\$249.17	\$539.50
Total Estimated Outflows*	NA	NA	\$332,303.00	\$192,214.00
Estimated Payoff	NA	NA	8 Years	8 Years

**As we discussed, John should enter his loans into the RePAYE plan, while Jane should enter her's into the PAYE plan.** Doing so will provide John with much needed interest subsidy, while providing Jane with the ability to file taxes separately if necessary to avoid increased monthly payments. In order to be conservative, we illustrated filing taxes jointly for all years.

Additionally, per your goals, we targeted John's payoff date to coincide with Jane's. Doing so will require significant overfunding in a side account. In total, these contributions will need to total about \$236,000 over the next 8 years, or \$2,450 per month. **All in all, we expect that you should be able to eliminate your nearly \$725,000 in student loans with total cash outflows of less than \$550,000.**

## Plan for Execution and Future Considerations:

In order to meet the above objectives, and ensure you pay off your loans as efficiently as possible, it is important that you follow these steps, and remain proactive in the years to come.

1. You should both apply for your respective Income-Driven Repayment plans as soon as possible. Jane's loans not being in repayment right now are costing her valuable payments towards PSLF, and John's are missing out on important interest subsidies.  
**\*\*Note: It is very important that Jane doesn't consolidate her loans, as this would reset her clock towards PSLF.**
2. Open up a "Student Loan Savings" account where John can deposit his excess monthly payments. Diverting these overpayments outside the Federal system allow him to take full advantage of the interest subsidy, while still making progress on his loans.
3. **You must be diligent about recertifying your income annually.** This is the single most frequent mistake we see made, and the consequences are severe:
  - a. All unpaid interest is capitalized
  - b. You miss out on a payment towards PSLF.
  - c. If you are enrolled in a payment plan that caps your payments -- this cap will be raised significantly.

**It usually takes 30-90 days to process, so you should look to submit your recertification application as soon as you are prompted.**

4. **Jane needs to verify employment regularly.** We often see mistakes made that could have been caught if borrowers regularly looked to verify employment. This should be done, **at minimum, once a year.**
5. Be conscious of potential life circumstances that could affect your payments and act accordingly. Examples include:
  - a. Expected birth of a child
  - b. Change in income
  - c. Change in career plans - **Namely: If Jane decides to not work for UK, or another 501(c)(3), she needs to re-evaluate her plan immediately, as it may make sense to make adjustments.**

## Refinancing Private Loans:

In addition to your federal loans, you need to refinance your current private loans as soon as possible, due to their high interest rates. See below for an understanding of the refinance process:

1. Choosing a company:
  - a. We generally advise you to apply through multiple companies to see which one gives you the best terms. Each company has their own methods to underwriting, so there's no real way to tell who will be best for your individual situation, other than just applying and having them quote you.
  - b. We have detailed companies you can start to apply through below.
2. Choosing a Term:
  - a. The shorter the term you select, the better the rate you will get.
  - b. The preferred approach is usually one that balances debt payoff with savings as long as you are disciplined and can put the excess cash flow to good use (as opposed to increasing your lifestyle and spending).
  - c. **For the two of you, a 10 year term is probably a good place to start.**
3. Choosing variable vs fixed rates:
  - a. Variable rates will always be lower than the fixed, but come with an added risk. If interest rates go up, your monthly payment will increase.
  - b. **We typically only recommend a variable rate if your term will be 5 years or less. If you select anything higher, go with fixed.**
4. Future considerations:
  - a. **As your balance drops, consider refinancing again for a shorter term (typically with no costs). This can further reduce your rate without any significant changes to your monthly payment.**

## Refinance Companies:

1. **SoFi** ([\\$300 Welcome Bonus Link](#) and [\\$300 Referrer Link](#)): Offers competitive rates, easy application process but stringent underwriting.
2. **Laurel Road** ([\\$300 Welcome Bonus Link](#) and [\\$0-400 Referrer Link](#)): Less competitive rates especially on shorter term loans but also less stringent underwriting. We have more clients refinance through them than probably any other company, because they usually provide the best approved rates.
3. **Earnest** ([\\$300 Welcome Bonus Link](#)): - Earnest has a unique precision pricing tool that more efficiently lets you set your payments and term.
4. **First Republic** ([\\$200 Welcome Bonus Link](#)): - Considerably better rates than competitors (as of this writing) but only offered in limited cities where they have a local branch office.
5. **LendKey** ([\\$500 Welcome Bonus Link](#) and up to [\\$250 Refer a Friend Bonus Link](#))
6. **Common Bond\*\*** ([\\$1,000 Welcome Bonus Link](#) and [\\$200 Refer a Friend Bonus Link](#))
7. **Credible** ([\\$550 Welcome Bonus Link](#) and [\\$1,000 Refer a Friend Bonus Link](#) to 12/31/18)
8. **Link Capital** ([\\$300 Welcome Bonus Link](#))

\*Note that not all banks lend in all areas. You may not qualify for any of these loans depending on their limitations and your circumstances.

\*\* Common Bond pays \$500 up front and \$500 at the end, with the link provided

**Note: Wrenne Financial Planning, nor it's representatives does not receive any financial benefit from the mentioned companies.**

## Appendix:

Jane Loan Inventory							
Loan No.	Type	Subsidized?	Beginning Balance	Outstanding Principal	Interest	Interest Rate	Payments Left
1	Direct Grad Plus	No	\$3,096	\$3,096	\$52	6.31%	93
2	Direct Stafford	No	\$21,407	\$21,407	\$893	5.31%	93
3	Direct Grad Plus	No	\$72,511	\$72,511	\$3,615	6.31%	93
4	Direct Grad Plus	No	\$2,344	\$2,344	\$318	6.84%	93
5	Direct Stafford	No	\$44,944	\$44,944	\$4,671	5.84%	93
6	Direct Grad Plus	No	\$44,550	\$44,550	\$5,427	6.84%	93
7	Direct Grad Plus	No	\$2,000	\$2,000	\$427	7.21%	93
8	Direct Stafford	No	\$44,944	\$44,944	\$7,754	6.21%	93
9	Direct Grad Plus	No	\$47,166	\$47,166	\$9,447	7.21%	93
10	Direct Stafford	No	\$44,944	\$44,944	\$9,200	5.41%	93
11	Direct Grad Plus	No	\$43,972	\$43,972	\$10,664	6.41%	93
12	Direct Grad Plus	No	\$3,000	\$3,000	\$1,076	7.90%	93
13	Direct Stafford	No	\$1,500	\$1,500	\$469	6.80%	93
14	Direct Stafford	No	\$1,500	\$1,500	\$470	6.80%	93
15	Direct Stafford	No	\$2,000	\$2,000	\$644	6.80%	93
16	Direct Stafford	No	\$15,500	\$15,500	\$5,018	6.80%	93
17	Direct Grad Plus	No	\$2,500	\$2,500	\$1,130	7.90%	93
18	Direct Grad Plus	No	\$1,500	\$1,500	\$680	7.90%	93
19	Direct Grad Plus	No	\$12,000	\$12,000	\$5,457	7.90%	93
20	Direct Stafford	No	\$12,000	\$12,000	\$4,704	6.80%	93

John Loan Inventory							
Loan No.	Type	Subsidized?	Beginning Balance	Outstanding Principal	Interest	Interest Rate	Payments Left
1	Direct Stafford	No	\$36,407	\$41,809	\$6,242	6.55%	300
2	Direct Stafford	Yes	\$8,500	\$8,492	\$596	6.55%	300
3	Direct Stafford	Yes	\$8,500	\$8,673	\$608	6.55%	300
4	Direct Stafford	No	\$36,834	\$44,908	\$6,705	6.55%	300
5	Direct Stafford	No	\$30,283	\$38,967	\$5,818	6.55%	300
6	Direct Stafford	Yes	\$8,500	\$8,673	\$608	6.55%	300
7	Direct Stafford	No	\$30,363	\$41,296	\$6,165	6.55%	300
8	Direct Stafford	Yes	\$8,500	\$8,673	\$608	6.55%	300

## Assumptions:

Income:

Income			
Year	John	Jane	Joint
1	\$57,000.00	\$62,000.00	\$119,000.00
2	\$175,000.00	\$63,860.00	\$238,860.00
3	\$180,250.00	\$65,775.80	\$246,025.80
4	\$185,657.50	\$300,000.00	\$485,657.50
5	\$191,227.23	\$309,000.00	\$500,227.23
6	\$196,964.04	\$318,270.00	\$515,234.04
7	\$202,872.96	\$327,818.10	\$530,691.06

\*\*Note this plan is hypothetical, and not intended to be construed as advice for anyone who may be reading it. More assumptions went into the scenario, and would be included in any official Student Loan Plan.