



pottery barn kids Summer Bedding Sale! Save up to 20% on select bedding favorites. Shop Now

# Chicago Tribune

Breaking News, Since 1847

Home News Business Sports A&E Travel Health Opinion Real Estate Cars Jobs Deals

Breaking Problem Solver Your Money Promotions Technology Chicago top stocks Columnists

Home → Collections

Ads By Google

**Mortgage Rates -- Select A Loan Program**

- [40 Year Fixed](#) [7 Year ARM](#) [30 Year Interest Only](#)
  - [30 Year Fixed](#) [5 Year ARM](#) [5 Year Interest Only](#)
  - [15 Year Fixed](#) [3 Year ARM](#) [3 Year Interest Only](#)
  - [10 Year Fixed](#) [1 Year ARM](#) [1 Year Interest Only](#)
- [Home Equity Line](#) [Second Mortgage](#)




Get a free 30-tablet trial of CIALIS for daily use. Click here to learn more.

**Important Safety Information for CIALIS® (tadalafil) tablets**  
 • CIALIS is also marketed as ADCIRCA for the treatment of pulmonary arterial hypertension (PAH). Do not take both CIALIS and ADCIRCA. Do not take CIALIS with Revatio® (sildenafil), also for PAH. Do not take CIALIS with other erectile dysfunction (ED) medicines.

[Get Your Free 30-Tablet Trial of CIALIS](#)

## Consider saving before paying off student loans

Recommend

1 0

November 18, 2011 | By Carolyn Bigda, special to Tribune Newspapers

When it comes to debt, student loans tend to be viewed as the "good" kind. The money borrowed is an investment in your career, and the low interest rate and flexible repayment terms tend to be more forgiving than other types of debt.

But if you're a recent graduate beginning to repay student loans, you may feel an urgency to get rid of the debt as soon as possible.

Ads By Google

### Student Loan Forgiveness

Apply Now To Get Your Student Loan Forgiveness, Friendly Staff Waiting  
[CollegeDefaultedStudentLoan.com](#)

### Student Loan Adjustments

New Government Programs Reduce Payments 877-838-8751  
[www.StudentLoanAdjustment.com](#)

### Consolidation Loans

Make Only 1 Lower Monthly Payment, \$20k Debt min. Featured on CNN  
[FastTrackDebtRelief.com](#)

### No Cosigner Student Loans

Find No Cosigner Student Loans & Make Good Fiscal Decisions Today!  
[FinanceCity.com/No\\_Cosigner\\_Needed](#)

For one, the amount due is big. Some 65 percent of students who attend four-year private colleges leave school with an average of \$28,100 in debt, according to 2009-10 figures from the College Board. At public universities, 56 percent of students graduate with an average of \$22,000 in loans.

What's more, federal student loans seem expensive when you compare them with savings rates. Today, the typical bank account doles out less than 1 percent. Federal student loans charge at least three times as much (either 3.4 percent or 6.8 percent, depending on the loan).

That got me thinking: In this kind of market, does it make more sense to skimp on saving and pay off student loans faster?

Not so fast.

"It sounds like you believe in market timing, always a high-risk strategy," said Bedda D'Angelo, a [financial planner](#) in Durham, N.C.

### Don't chase returns

D'Angelo points out that [interest rates](#) on savings accounts won't stay low forever. Stock returns, barely above water this year, could also improve.

In the meantime, you probably have other financial goals you'd like to reach, such as buying a home, purchasing a [car](#) or taking a vacation once in a while.

"If you don't have savings to fund these goals, you will have to finance them and (you will) increase your debt total," she said.

So building savings is just as important as eventually paying off student loans, regardless of current interest rates.

"Another issue is job stability," said Rand Spero, a financial planner in Lexington, Mass. "If there's a chance that a change of circumstances (e.g., you lose your job) would lead to substantial credit card debt, having cash available makes sense."

### Focus on smart options

Plus, other tools are available to help you manage the debt load.

### Related Articles

[Choose student loans on your own terms](#)  
 July 29, 2011

[Government takes charge of federal student loans](#)  
 April 22, 2010

[Loan options for new grads amid tough times](#)  
 June 10, 2010

[Securing private student loans tougher](#)  
 February 3, 2008

[Obama introduces student loan initiatives](#)  
 October 30, 2011



Start with private loans. Interest rates for these loans can surpass 10 percent today, rivaling rates on credit cards. If you have a private loan, see if you can refinance and qualify for a better deal (likely if your credit history has improved). Or target any extra payments you're going to make toward these loans first.

With federal loans, check out repayment options at studentaid.ed.gov. You have many choices, but new rules, announced in October, will allow certain borrowers to reduce their interest rate by as much as 0.5 percent through loan consolidation and limit their monthly payment to 10 percent of discretionary income. In addition, after 20 years of repayment, any remaining balance would be waived.

Ads By Google

### Top 2011 Online Grants

You May Qualify For A Grant To Go Back To School!

[www.ClassesUSA.com](http://www.ClassesUSA.com)

If you keep up with your savings, though, you may be done with student loans long before then.

Ten years after graduating from college, Philip Taylor and his wife, Teresa, were in good financial shape: The couple had paid off their credit card balances and auto loans. They had bought a house and were funding their retirement accounts.

Besides a mortgage, the last outstanding debt was their student loans (both graduated with \$20,000 in education debt).

"I had been staring at those things for 10 years, and I was just sick of looking at them," said Philip, who writes a personal finance blog, PT Money. So in June 2009, the couple took a chunk of savings and paid off the debt.

Still, Philip points out that the student loans were the "last frontier" in their financial priorities.

"We even waited until after we fully funded my 401(k) for the year and a couple of IRAs," he said. "The debt was still contributing to my ability to earn money, 10 years later. You probably can't say the same thing about a car loan."

Email Carolyn Bigda at [yourmoney@tribune.com](mailto:yourmoney@tribune.com)

Ads By Google

### \$3,000 - \$125,000 Debt OK

Can't Pay Debt, Get Relief. See If You Qualify, See Savings! Start

[DebtReliefCenter.org/See-Savings](http://DebtReliefCenter.org/See-Savings)

---

#### Featured Articles

---



Younger onset Alzheimer's patients stay active



'Book of Mormon' on a Chicago mission



Cain accuser has history of financial troubles, legal squabbles

**MORE:**

[Doctors rethinking prescribing Abbott's Niaspan](#)

[Done deal: Cubs land Epstein from Red Sox](#)

[Struggling homeowners could get up to \\$25K from 'hardest hit' loan fund](#)

[Obama's Solyndra scandal reeks of the Chicago Way](#)

[Forte glad other teams interested in him](#)

[Bulls' Rose gets nickname in Taiwan: 'Speedy stormy'](#)