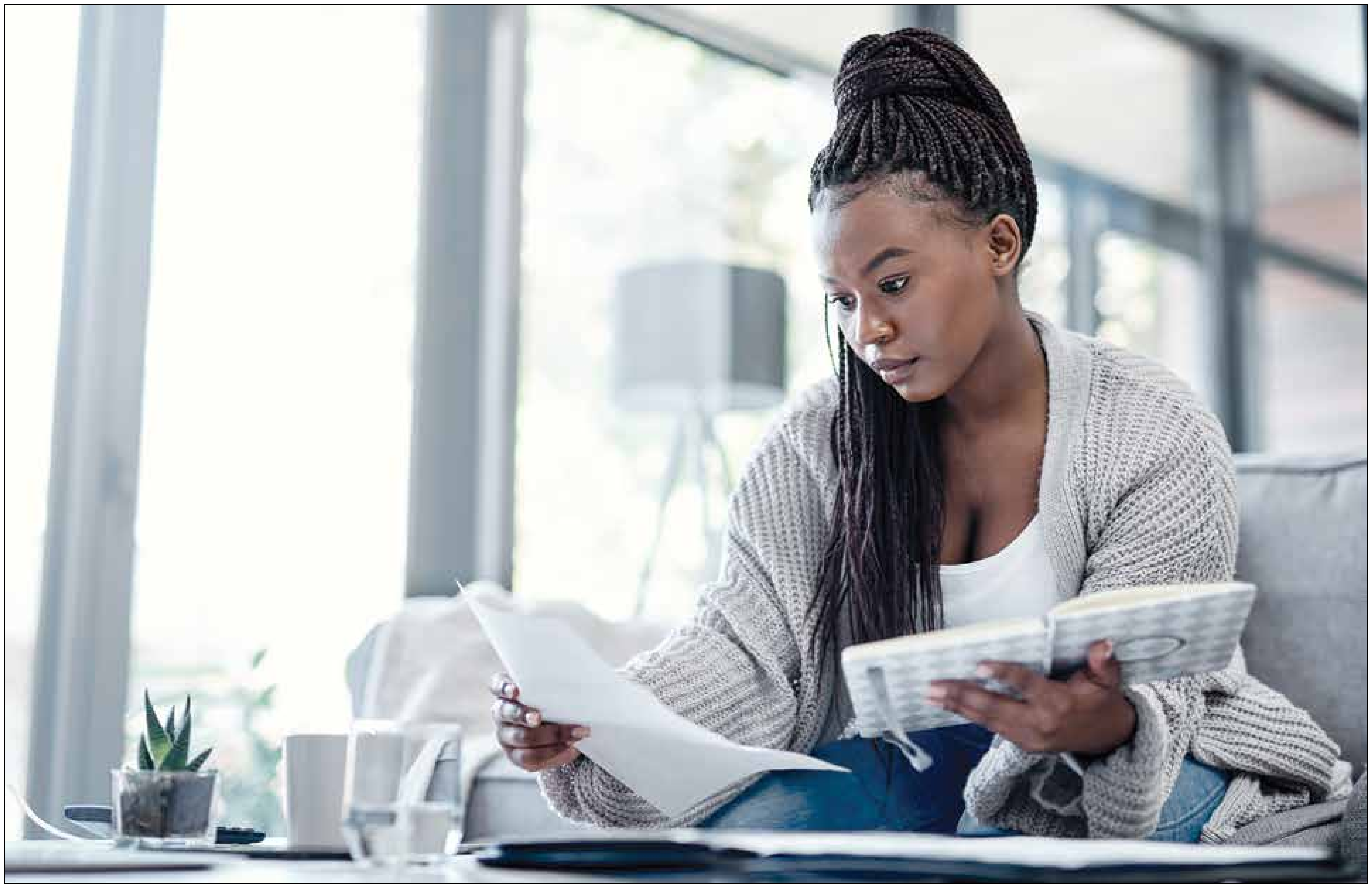

Personal
Finance

Handling Student Loan Debt

Americans owe more than $1 trillion in student loans, the Education Data Initiative says, with more than 42 million borrowers having federal student loan debt.



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The federal government manages the lion's share, more than 90%, of student loan debt. The amount owed increased 42% over the last 10 years, owing to the rising cost of higher education and more young people going to college.

HOW DOES STUDENT LOAN DEBT AFFECT BORROWERS?

Those 42 million borrowers face a large debt and a great amount of uncertainty. The COVID-19 pandemic disrupted payments and, in 2022, the President Joe Biden's administration issued the largest student debt forgiveness plan in history, committing to canceling $400 billion in student debt. However, the Supreme Court ruled the Biden debt forgiveness plan was illegal and the administration presented a new plan including income-driven plan and other fixes for student loan debt relief.

However, the Trump administration has challenged or halted many of these relief programs, adding to the uncertainty borrowers feel. Harvard Law says student borrowers increasingly say their balances are affecting their mental health, citing language online that shows borrowers feel more sadness, fear and anger over the student loan environment.

"To the extent that debt is a problem for our health and well-being, it is because it's this noxious, chronic stressor that over long periods of time can cause health problems," says Jason Houle, a researcher at Dartmouth. "When you talk to people who are struggling with debt, they wake up in the morning asking: 'OK, what am I going to do now? How am I going to pay this bill? OK, maybe I skip my payments this month so I can pay this other bill I have.' And it basically makes their life into a perpetual triaging."

HOW DOES STUDENT LOAN DEBT AFFECT THE ECONOMY?

The Peter G. Peterson Foundation says higher education is an important economic driver in the economy and it may lower crime and incarceration rates as well.

But student loan debt can impede economic growth by slowing spending and destabilizing personal savings.

The Federal Reserve says student debt is a key driver in why young adults aren't buying homes at the same rate as previous generations.

It found that a $1,000 increase in student loan debt, measured in 2014 dollars, caused a 1-2% percentage point drop in the homeownership rate during the borrower's 20s and 30s. Its study shows more than 400,000 people were unable to buy a home because of student debt.

The study also found that higher student loan debt resulted in lower credit scores later than life and increased student loan debt made borrowers more likely to default.

What Are Tariffs?

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Tariffs have been in the news often since President Donald Trump, a self-proclaimed "tariff man" took office.

Over the first year of his second administration, he has threatened tariffs and increases of existing tariffs at rates never before seen in American history. Here's a deeper look at what tariffs are and how they work.

WHAT ARE TARIFFS?

A tariff is a tax imposed by a government on imports of goods. It is paid by the importer, not by the country of origin. An example is an American store buys a box of shirts from China for $100. At a 50% tariff, those shirts would cost $150. That fee is paid by the American store when the Chinese shirts arrive in port. The American store then passes that increase on to the consumer in the form of higher prices.

This is, of course, a simplification of what is really a very complicated process. In American history, tariffs are historically used to protect and foster nascent industry for a short amount of time.

TARIFFS IN AMERICAN HISTORY

The first American tariffs were levied in 1789. They were designed to raise money for a young federal government. In the 1800s, tariffs helped foster industrialization, especially after the Civil War, allowing industries such as American steel to grow.

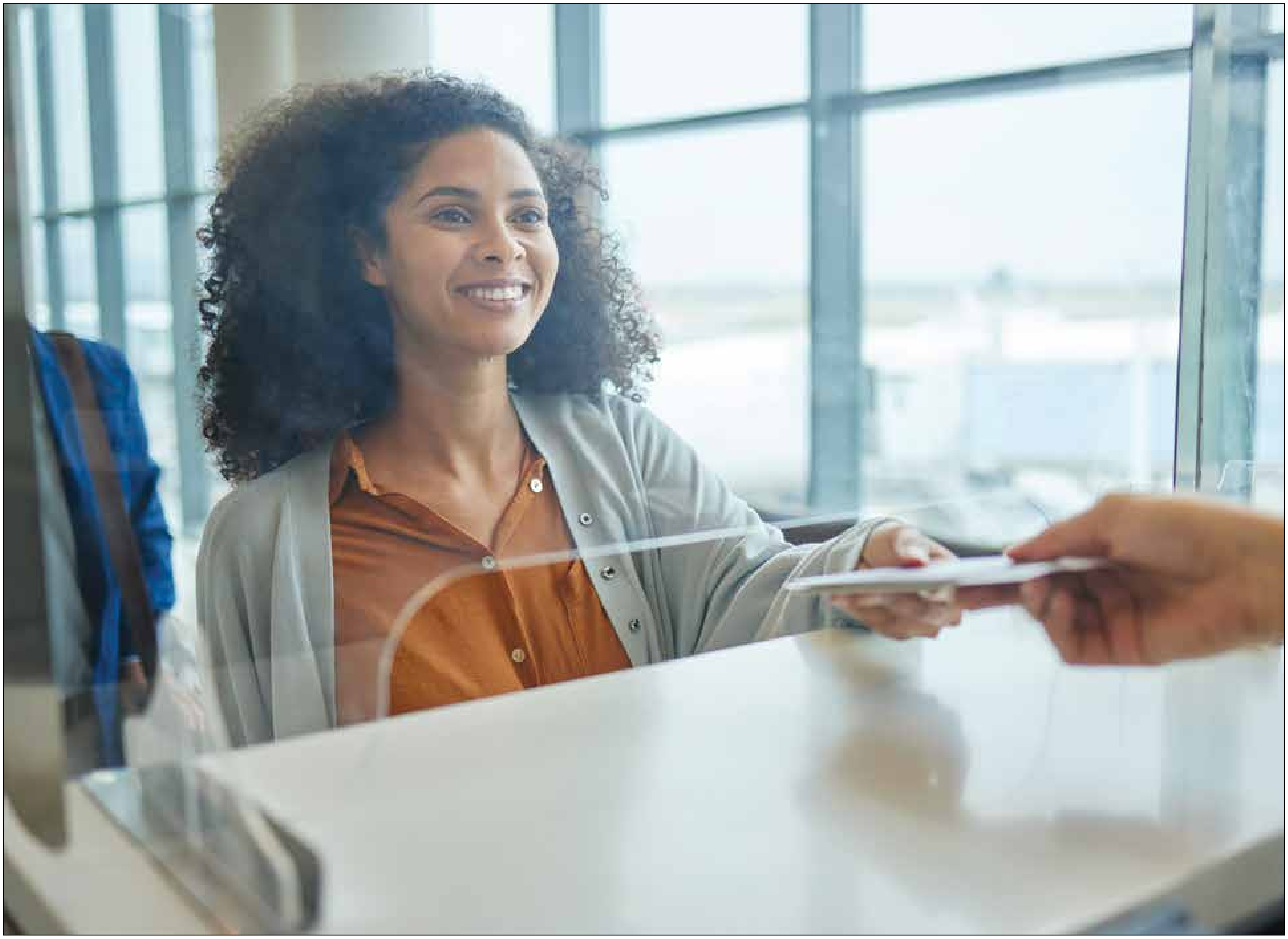
But the Smoot-Hawley Tariff of 1930 shows how tariffs can go wrong. These tariffs were enacted by President Herbert Hoover in a move to protect American farmers and industry from foreign competition. It increased tariffs on more than 20,000 products. Reaction was quick, and other countries retaliated with their own tariffs, sinking international trade, worsening economic conditions in the early years of the Great Depression, and raising prices on goods.

TRUMP'S TARIFFS

Since Trump took office in January, he has threatened a variety of tariffs at a variety of levels, some of which took effect, some of which were paused, and some of which were rolled back completely. The full effect of these levies on the American economy remain to be seen as the policies continue to shift, causing uncertainty in global markets.

Opening a Checking Account

Checking accounts are a staple for most American adults, but they don't always come with the checks that give their name to the account.



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Here's what you need to know about opening and maintaining a checking account.

OPENING THE ACCOUNT

To open a checking account, the account holder usually needs to be 18 or older and a legal U.S. resident. Students may be able to open an account with the signature of a parent or guardian.

When opening an account, look at several banks and consider things such as fees for the account, minimum balance requirements, online banking features and physical bank locations. Also look at charges for debit card use and ATM use and any interest the checking accounts may bear.

Once you choose a bank, you'll usually need a valid, government-issued ID, such as a driver's license or passport; your Social Security number; and a proof of address, such as a utility bill. You'll need money for an initial deposit to fund the account and any employment information.

You may be able to open your account online, but some banks still require an in-person appointment to open an account. Check with your chosen bank to learn how to proceed.

MAINTAINING THE ACCOUNT

Many checking accounts waive fees for customers who have a regular direct deposit, and this may be a feature you can take advantage of with a little input from your employer. Talk to your employer's payroll or human resources department about what you need to do so that your paycheck is automatically deposited in your account. Your account may require you to keep a minimum balance to avoid fees; ensure this is done or be prepared to pay up.

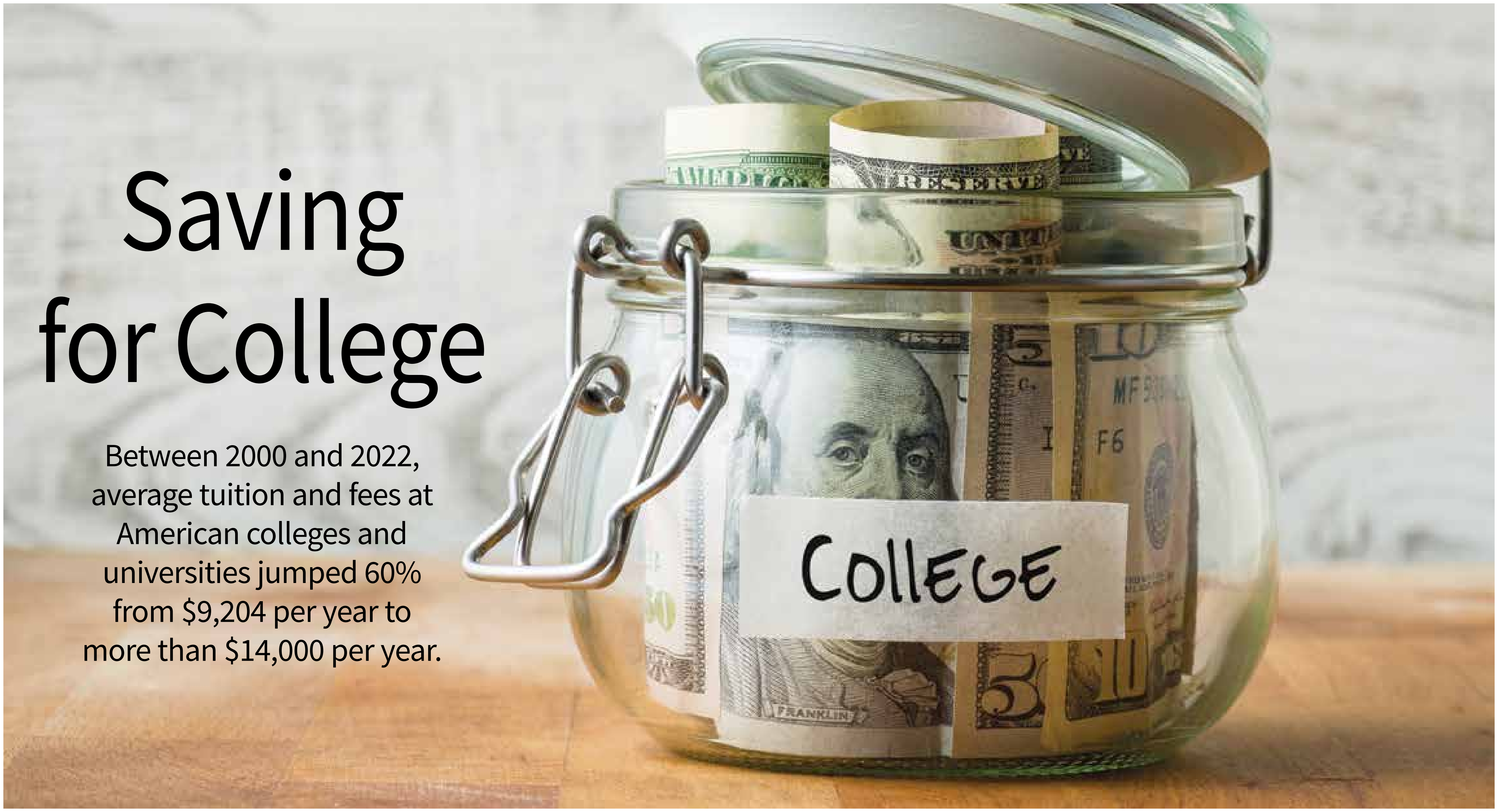
Account for any other fees, such as ATM usage fees, in your bank reconciliation. Keep regular track of your transactions, whether they're online, ATM withdrawals, written checks or debit charges. Watch for fraudulent transactions and alert your bank immediately.

SAVINGS ACCOUNTS

The process for opening a savings account is much the same, and it's easy to add that account and connect it to your checking account to keep money separate. It can serve as overdraft protection for your checking account. Should your account overdraw, the bank will automatically take money from your savings account to cover the charges, avoiding costly overdraft fees.

Saving for College

Between 2000 and 2022, average tuition and fees at American colleges and universities jumped 60% from $9,204 per year to more than $14,000 per year.



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That steep increase made parents and students alike increasingly nervous about how they would pay for higher education. The good news is there are options.

529 PLANS

A 529 plan is a Qualified Tuition Program, a tax-advantaged account designed to encourage saving for college. It's named after section 529 of the Internal Revenue Code, which defines qualified tuition programs. Contributions to these plans are made with after-tax dollars but go in the account tax-free. Withdrawals are not taxed when the money is used for qualified educational expenses.

There are two kinds of 529 plans: prepaid plans and savings plans. Prepaid plans allow families to purchase tuition credits at current rates to be used in the future when, presumably, education will be more expensive.

Nine states offer a prepaid tuition plan, including Florida, Illinois, Massachusetts, Michigan, Nevada, Pennsylvania, Texas, Virginia and Washington.

Savings plans typically put contributions into mutual funds and exchange-traded funds (ETFs). These plans usually offer age-based asset allocation options that typically get more conservative as the beneficiary gets closer to college age.

COVERDELL EDUCATION SAVINGS ACCOUNTS (ESAS)

These are tax-advantaged savings accounts that are capped at $2,000 in contributions annually and can cover a range of educational expenses, such as K-12 tuition, books, supplies, tutoring and post-secondary costs. Compared to 529 plans, there may be more restrictions related to age.

ROTH IRA

Usually used for retirement savings, Roth IRAs can also be used for college savings. It is funded with after-tax dollars that can be withdrawn tax-free for qualified education expenses if the account is at least five years old. Contribution limits are set to $7,000 or $8,000 if the contributor is 50 or older and there are income restrictions.

When it comes to financial aid, Roth IRA distribution account disbursements count as untaxed income, which can lower any need-based financial aid.

Unspent funds in these accounts can be used for retirement expenses and investment options may be more broad than those for 529 plans.

Stay on Budget with Apps

It seems there's an app for everything these days, and that includes money management.

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Gone are the days of the checkbook register or account ledger. It's time now for notifications and text messages. Here are some apps to try if you need help managing your finances.

ROCKET MONEY

Rocket Money, brought to you by the same people who run Rocket Mortgage, is an app that can break down your everyday spending to show you where your money is going. It can find and track subscriptions, canceling services when you no longer need them. An autopilot feature can help you save money by learning your habits and saving money to help you avoid overdraft fees. Premium services include an automated savings plan, unlimited budgets, net worth tracking and more. The basic version is free, but premium services carry a fee.

QUICKEN SIMPLIFI

Quicken Simplifi, for a monthly fee, features budgeting tools that help you visualize income, bills, subscriptions and savings. It allows users to create and track savings goals and can track your investment portfolio. It uses AI tools to automatically categorize expenses and send alerts.

ORIGIN

This FDIC-insured app boasts more than 100,000 users and is backed by a network of certified financial planners. It helps users track spending and see a full picture of their net worth, investments, real estate and more. It can track shared finances and automatically track recurring transactions.

It includes investing and savings tools such as automatic index investing and thematic stock bundles. A high-yield cash account can help users grow their savings. Its AI financial assistant, Sidekick, can help users plan for retirement, create a savings goal and answer money questions. If you need more personal assistance, Origin has certified financial planners you can meet with. The app can help you set up a will or trust. There is a subscription fee for this app.

MONARCH

This app says it brings all your accounts into one dashboard so you can see where money is going. It gives access to a partner or financial professional as well, and features budgeting and planning tools. The app puts transactions into one, searchable list and detects recurring subscriptions for your review. Monarch says it connects with more than 13,000 financial institutions. There is a subscription fee.

Common Employer Benefits

Your employer gives you more than just a paycheck. It can offer other financial benefits such as retirement accounts, insurance policies, wellness programs, student loan assistance and more.

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RETIREMENT ACCOUNTS

One of the most common employer benefits offered is a retirement account. In 2023, according to the U.S. Bureau of Labor Statistics, 73% of civilian employees had access to retirement benefits and more than half — 56% — used them. Employers may match contributions to a 401(k) or even offer a pension that pays employees a portion of their salary for the rest of their lives. Talk to your human resources department and your financial planning professional to discuss how much you should be saving for retirement.

INSURANCE

Most people are familiar with their employers' health or dental insurance plans, but may not be as acquainted with other insurance policies. Employees may be eligible for life insurance or disability insurance that can help employees cover expenses should the worst happen. Compare the coverages with what is available on the open market and check to make sure you're covered should you be injured or killed.

EDUCATION EXPENSES

Employers may offer programs to help families with education expenses, such as tuition reimbursement programs, student loan assistance programs, 529 college savings programs, and flexible spending accounts that can pay for child-care and other opportunities. Talk to your human resources office and financial planners to see what programs can help your family's financial situation.

DISCOUNTS AND WELLNESS PROGRAMS

Some employers offer discounts at local and national businesses such as Costco or on hotel stays and car rentals. Ask about wellness programs that could offer discounts on gym memberships and other programs, stipends for other benefits and more. Talk to human resources about taking advantage of these benefits or setting them up if they don't exist.

SAVINGS PLANS

Employers may also employee savings plans for health-care, education and other expenses. These offer pre-tax benefits through paycheck deductions and, using a special debit card, the employee can pay for qualifying health or child-care expenses. To further support working parents, employers can offer flexible time off to care for children, parental leave, provider referral networks and more.

Finding a Tax Professional

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Navigating the Internal Revenue Service can be a heartburn-inducing and intimidating trip for most people.

The good news is there are legions of qualified tax professionals who love nothing more than burying themselves in tax code and finding you the advantages you deserve.

HOW TO FIND A TAX PROFESSIONAL

Start by asking friends and family if they use anyone to prepare their taxes. Their tax professionals may be a certified public accountant, enrolled agent, attorney or other professional who can prepare your taxes and file your return. These professionals, the IRS cautions, will have your personal information, including your income, your family's Social Security numbers and other financial details. It's important these tax preparers are meticulous and will keep your details private.

The IRS advises taxpayers to be wary of tax professionals who claim they can obtain larger refunds than others, tax preparers who base their fees on a percentage of the refund or who offer to deposit your refund into their account, don't have a PTIN, offer you a blank tax form for signature, or who have no history or credentials.

CHECKING CREDENTIALS

The IRS maintains a directory of federal tax return preparers with credentials and select qualifications. The people on this list, the agency says, have professional credentials recognized by the IRS or hold an annual filing season program record of completion.

Other organizations may also maintain lists of tax professionals, including the American Academy of Attorney-CPAs, the American Institute of Certified Public Accountants, the National Association of Tax Professionals, the National Conference of CPA Practitioners, the National Society of Accountants and the National Society of Tax Professionals.

FREE TAX PREPARATION

The Volunteer Income Tax Assistance program is sponsored by the IRS and provides free tax filing assistance from IRS-certified volunteers. The tax help is available to taxpayers with low to moderate income, people with disabilities, the elderly and those who speak limited English. It offers free tax software for those who can prepare their own returns. Should a taxpayer contact the program and not be eligible, they will be referred to a paid tax preparer.