Student Loans: Stop Stressing, Start Planning

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If you find you need to take out some loans to help finance college, you're not alone. Among the graduating class of 2018, more than two-thirds — 69% — of college students used federal and/or private loans, reports Student Loan Hero. Additionally, 14% of college students' parents took out loans to help. Students graduated with an average of $29,800 in debt; parents ended up with about $35,600.

Don't let these figures scare you, though. When you educate yourself about student loans and manage your debt wisely, you can be better prepared for your financial future. Here are some tips:

Build a relationship with a financial aid counselor at your college. If you don't already have an assigned counselor, contact the financial aid office and ask to speak with a representative who can help you navigate the financial aid process. Whether you've already applied or you're just exploring your options, a financial aid counselor can help. They welcome the opportunity to work with students, as well as parents, so take advantage of the free advice and information they can provide throughout your college years.

Know where your loans are coming from. Colleges strive to make applying for financial aid easy on the student. And while this can be helpful, it can also make it more difficult for you to know exactly where your loans are coming from and whether these outlays of cash need to be paid back. In other words, are you receiving a scholarship (no payback), a grant (no payback), or a loan (payback plus interest)? You may have some combination of these; it's important for you to identify the source and terms of repayment on each loan prior to accepting the funds. Your financial aid counselor can help.

Keep a running tally of your loans. It's easy to just say yes to loans as each new term comes around. But remember that the money you owe is accumulating. Keep track as you go of how much you are adding to your debt, and make sure you will be prepared to repay these debts once you've graduated.

Pay what you can while you're still in school. As long as you continue to be enrolled in classes to the extent required by your particular loans, you are not required to make payments. (In fact, federal loans generally allow a grace period of six months after you've left school before your first payment is due.) However, many students choose to make payments while they're in school, either to pay off any accumulated interest or to pay down interest and principal. If your budget allows, making payments during this time may save you money in the long run.

Create a repayment strategy. Reach out to your financial aid counselor before you graduate or leave college for help in creating a plan for paying off your student debt. Contact your loan service provider(s), too, to find out what repayment options are available to you. For example, you may be able to consolidate your loans into one monthly payment or to extend the standard 10-year loan term. You also may want to make more than the minimum payment each month to pay down your principal faster. Listen to your counselor's advice: They may be able to help you shave months or even years off the repayment of your loans.

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