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How to Fit Your Student Loan Payments Back in Your Budget

After more than a 3-year-long pause due to the pandemic, federal student loan payments restarted in October 2023. For millions of borrowers, restarting student loan payments is a serious shift in their financial circumstances, especially as many borrowers are making payments for the first time since graduating. If this has been a pain point in your budget, here are some actions you can take.

Evaluate Your Financial Picture

To get a clear understanding of where you are at with your finances, you will need to start with your household income minus your current expenses, including the new addition of the monthly student loan payment. You can find out who your student loan servicer is and how much you owe by visiting **studentaid.gov**. The more detailed this spending plan is, the better. Determine how much – if any – income is left over each month. If you have leftover income, those funds could pay down high interest rate debt, like credit cards, putting money in your emergency fund, or contributing more to your 401(k) account. If, however, you are short on funds after you review your financials, then you will need to take additional steps to close the gap.

Cut or Cutback Expenses

Focus on the non-essential spending like monthly subscriptions, eating or going out, memberships, even changing from brand-name to generic. Do you really need four different streaming services or is one enough? How often do you really go to the gym? Can you eat / go out once a week instead of three times? Can you bring your lunch to work? Slight changes in your everyday life can make a significant difference in your spending plan. Remember that this is not forever and what you sacrifice now will only help you in the future.

Know Your Options

If your federal student loan payments are still too high compared to your income, you may want to repay your loans under an income-driven repayment option. Most federal student loans are eligible for at least one income driven repayment plan. An income-driven repayment plan or IDR sets your monthly student loan payment at an amount that is intended to be affordable based on your income and family size. You can find the application at **studentaid.gov/idr/**.

Sources:

https://www.schwab.com/learn/story/prepare-student-loans-consider-these-5-steps

https://studentaid.gov/manage-loans/repayment/plans/income-driven

https://www.consumerfinance.gov/about-us/blog/as-payments-on-federal-student-loans-resume-federal-studentloan-borrowers-may-be-eligible-for-cancellation-or-lower-payments/

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