Paying Off Student Loan Debt: 5 Tips

Weighed down by student loans? You're not alone: Approximately two in three college seniors have student loans. Their average debt was $28,650., according to the Institute for College Access & Success.[1]

So, how to lighten the load as quickly as possible so that you can begin living your post-graduate life the way you envisioned? Here are some suggestions:

Pick the right student loan repayment plan

"Most people just go with the option that has the smallest monthly payment, and that's the costliest in terms of interest paid over the loan's lifespan," said Lauren Asher, president of the Institute for College Access & Success, a nonprofit organization that works to make college more affordable. While "everyone has their own priorities and resources in terms of how they spend and save money, the best option is the standard 10-year repayment plan."

This plan breaks down your student loan balance into fixed monthly payments of at least $50 for up to 10 years. Compared to other plans, it is going to cost you the most per month (so make sure it's budgeted for), but you'll pay off your student loan faster, and save more in interest, too.

Make one extra student loan payment/year

Make an extra payment a year – 13 instead of 12. It'll shave time off the repayment term, and save you interest.

Enroll in auto-debit

Enroll in auto-debit, where your student loan servicer automatically deducts your payment from your bank account each month. You'll be rewarded with an interest rate reduction, typically a quarter of a percentage point, or 0.25 percent. Is this a big deal? It can be, particularly if the lender doesn't use the interest rate reduction to reduce the monthly payment and instead allows more of the monthly payment to be applied to the principal balance of the loan.

Deduct your student loan interest

What's the one silver lining of having student loan debt? The interest is tax deductible — even if you don't itemize your deductions. Yes, there is an income limit to this deduction, but if you make less than $ 80,000 a year or $ 165,000 if you're married and filing jointly, you can claim the full deduction of $2,500.

[1] Institute for College Access and Success, Student debt and the class of2017.

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