

Download today's slides:
WisMedFinancial.org/student-loans



Federal Student Loans

Cancellation, Forgiveness, & New SAVE Plan



WisMed Financial



Part of the Wisconsin Medical Society



WisMed Financial

Disclosures

WisMed Financial, Inc. ("WMF") is a registered investment advisor offering advisory services in the State of WI and in other jurisdictions where exempted. Registration does not imply a certain level of skill or training.

This communication is for informational purposes only and is not intended as tax, accounting or legal advice, as an offer or solicitation of an offer to buy or sell, or as an endorsement of any company, security, fund, or other securities or non-securities offering. This communication should not be relied upon as the sole factor in an investment making decision.

Past performance is no indication of future results. Investment in securities involves significant risk and has the potential for partial or complete loss of funds invested. It should not be assumed that any recommendations made will be profitable or equal the performance noted in this publication.

The information herein is provided "AS IS" and without warranties of any kind either express or implied. To the fullest extent permissible pursuant to applicable laws, WisMed Financial, Inc. (referred to as "WMF") disclaims all warranties, express or implied, including, but not limited to, implied warranties of merchantability, non-infringement, and suitability for a particular purpose.

All opinions and estimates constitute WMF's judgement as of the date of this communication and are subject to change without notice. WMF does not warrant that the information will be free from error. The information should not be relied upon for purposes of transacting securities or other investments. Your use of the information is at your sole risk. Under no circumstances shall WMF be liable for any direct, indirect, special or consequential damages that result from the use of, or the inability to use, the information provided herein, even if WMF or a WMF authorized representative has been advised of the possibility of such damages. Information contained herein should not be considered a solicitation to buy, an offer to sell, or a recommendation of any security in any jurisdiction where such offer, solicitation, or recommendation would be unlawful or unauthorized.



WisMed Financial

Advice from your older colleagues

Advanced-career physicians were generous with their advice to younger physicians just starting out.

Here are words of wisdom from physician leaders in internal medicine.

"Don't be house poor."

"Don't assume that you know what you are doing. Hire a professional and don't be an arm-chair financial planner."

"Make it a priority to obtain life insurance early when its more affordable."

"Get your own disability insurance."

"Learn about finance!"

"Don't try to keep up with the Joneses, especially if the Joneses are in subspecialties or surgical fields. Don't let your spouse/partner lead you into that trap either."

"Don't keep up with the Joneses. The Joneses are broke."

"Borrow the least amount possible and borrow based on needs, not wants"

"Pay attention to lifestyle creep!"

2021 ACP Report: Physicians' Financial Preparedness. (2021).



WisMed Financial

What residents wish they knew even earlier in their career:

"I wish there was dedicated teaching on the importance of investing and finances at least once during medical school AND residency."

"How to negotiate a better salary."

"Not to borrow as much loan money."

"Not to listen to predatory financial (non-fiduciary) advisors that target unknowing residents."

"How to start saving and investing for retirement, specifics!!"

2021 ACP Report: Physicians' Financial Preparedness. (2021).



WisMed Financial

Agenda

- Consumer Debt
 - Emergency Fund
 - Debt Snowball
- Student Loans
 - 5 ways to eliminate debt besides making payments
 - Determining which payment plan is right for you
 - New SAVE plan rolling out 2023-2024
 - Sample calculations



WisMed Financial

1. Emergency Money

Initially \$1,000-\$2,000



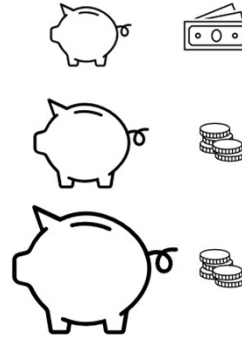
<https://www.pexels.com/photo/writings-in-a-planner-636246/>



WisMed Financial

2. Debt Snowball

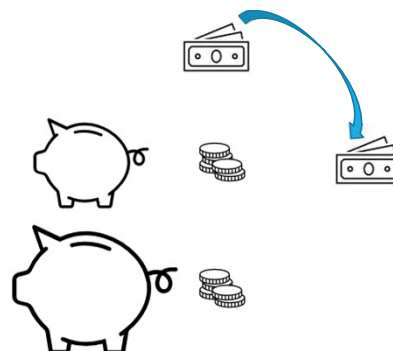
1. Sort debts from lowest to highest balance (except federal student loans and mortgage.)
2. Pay the minimum on all debt except lowest balance.
3. Pay as much as possible on lowest balance until paid off.
4. Add total payment from lowest balance debt to next lowest balance until paid off.
5. Repeat until all debt eliminated!



WisMed Financial

2. Debt Snowball

1. Sort debts from lowest to highest balance (except federal student loans and mortgage.)
2. Pay the minimum on all debt except lowest balance.
3. Pay as much as possible on lowest balance until paid off.
4. Add total payment from lowest balance debt to next lowest balance until paid off.
5. Repeat until all debt eliminated!

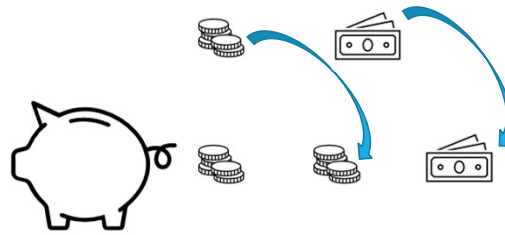




WisMed Financial

2. Debt Snowball

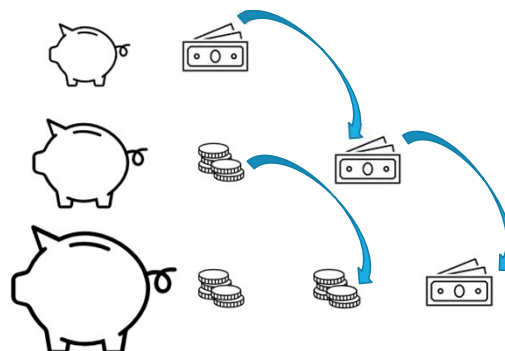
1. Sort debts from lowest to highest balance (except federal student loans and mortgage.)
2. Pay the minimum on all debt except lowest balance.
3. Pay as much as possible on lowest balance until paid off.
4. Add total payment from lowest balance debt to next lowest balance until paid off.
5. Repeat until all debt eliminated!



WisMed Financial

2. Debt Snowball

1. Sort debts from lowest to highest balance (except federal student loans and mortgage.)
2. Pay the minimum on all debt except lowest balance.
3. Pay as much as possible on lowest balance until paid off.
4. Add total payment from lowest balance debt to next lowest balance until paid off.
5. Repeat until all debt eliminated!

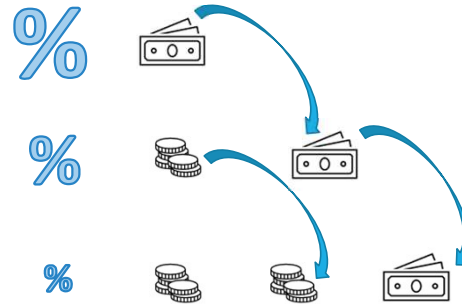




WisMed Financial

2. Debt Avalanche

1. Similar to debt snowball except debts are sorted from highest to lowest interest rate.
2. Pay the minimum on all debt and as much as possible on the highest interest rate debt.
3. After highest interest rate debt is paid off, pay as much as possible to next highest interest rate debt.
4. Repeat until all debt eliminated!



WisMed Financial

Snowball or Avalanche?

Both are good choices.

- Snowball is more motivating. You see elimination of entire accounts quickly.

- Avalanche reduces total interest. However, if loans are paid quickly, interest won't accrue so the benefit is negligible.

- If two debts have similar balances, pay off higher interest debt first in snowball method.





WisMed Financial

3. Emergency Money

3-6 months of livings expenses after debts paid (except federal student loans and mortgage)



<https://www.pexels.com/photo/writings-in-a-planner-636246/>

Federal Student Loans



WisMed Financial



Created by the Wisconsin Medical Society



WisMed Financial

Federal Student Loans Disclaimer

This information is believed to be accurate as of Nov. 1, 2023.

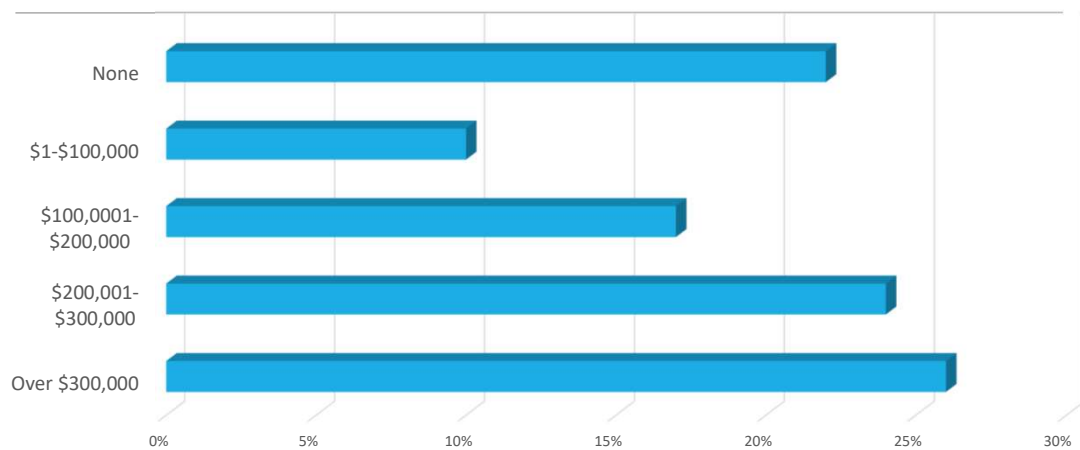
Always check with your loan servicer or loan documentation as the authoritative source.

These items have changed during the pandemic and may continue to change by actions in Washington and the courts.



WisMed Financial

Medical School Debt 2022



Robbins, R. (2022, July 29). *Medscape Residents Salary & Debt Report 2022*. Medscape. Retrieved September 27, 2022, from <https://www.medscape.com/slideshow/2022-residents-salary-debt-report-6015490#9>

5 ways to eliminate debt besides payments



WisMed Financial

Debt – Student Loans

5 ways to make debt disappear:

- Discharge
- Perkins Loan Cancellation
- Loan Repayment Programs
- Loan Forgiveness
- Public Service Loan Forgiveness



No attribution required. <https://pixabay.com/photos/farewell-say-goodbye-bye-road-3258939/>



WisMed Financial

Loan Discharge

- Closed school discharge
- Errors or fraud at the school:
 - False certification, borrower defense to repayment, unpaid refund
- Death or total permanent disability
- Bankruptcy (rare, by default student loans are not discharged)
- Similar discharge available for parent borrowers

<https://studentaid.gov/manage-loans/forgiveness-cancellation>



WisMed Financial

Loan Discharge

“I’m married with \$400,000 of medical school debt. If I die, will my spouse be required to repay my loans?”

1. No. Federal loans are discharged upon death.
2. Possibly for private student loans. Check loan document.



WisMed Financial

Perkins Loan Cancellation

Typically, doesn't apply to physicians, but may apply to your spouse.

- Teachers in certain communities or subjects
- Family services agency employees
- Law enforcement, firefighters, and military
- Nurse or medical technician
- Librarian and speech pathologist with master's degrees at Title I school
- Provider of early intervention (disability) services
- Public defender
- Volunteer service (AmeriCorps VISTA or Peace Corps)

<https://studentaid.gov/manage-loans/forgiveness-cancellation>



WisMed Financial

Repayment Programs – HRSA Search Tool

State Loan Repayment Program Contacts


The State Loan Repayment Program (SLRP) varies from state to state/territory, and may differ in [eligible disciplines](#), [practice sites](#), [length of required service commitment](#), and the amount of loan repayment assistance offered.

Contact the state or territory program office for more information on the individual entities' program requirements.

HRSA awarded a total of **\$99,986,708** across **46** states, Washington, DC and **three** territories. [See a breakdown of the year-by-year funding.](#)


Alabama | [Alaska](#) | [Arizona](#) | Arkansas | [California](#) | [Colorado](#) | [Connecticut](#) | [Delaware](#) | [District of Columbia](#) | Florida | [Georgia](#) | [Guam](#) | [Hawaii](#) | [Idaho](#) | [Illinois](#) | [Indiana](#) | [Iowa](#) | [Kansas](#) | [Kentucky](#) | [Louisiana](#) | [Maine](#) | [Maryland](#) | [Massachusetts](#) | [Michigan](#) | [Minnesota](#) | [Mississippi](#) | [Missouri](#) | [Montana](#) | [Nebraska](#) | [Nevada](#) | New Hampshire | [New Jersey](#) | [New Mexico](#) | [New York](#) | [North Carolina](#) | [North Dakota](#) | [Northern Mariana Islands \(U.S. Territory\)](#) | [Ohio](#) | [Oklahoma](#) | [Oregon](#) | Pacific Basin | [Pennsylvania](#) | [Puerto Rico](#) | [Rhode Island](#) | [South Carolina](#) | [South Dakota](#) | [Tennessee](#) | [Texas](#) | [U.S. Virgin Islands](#) | [Utah](#) | [Vermont](#) | [Virginia](#) | [Washington](#) | [West Virginia](#) | [Wisconsin](#) | [Wyoming](#)

<https://nhsc.hrsa.gov/loan-repayment/state-loan-repayment-program/contacts>



WisMed Financial

Repayment Program - AAMC Search Tool



AAMC
Loan Repayment/Forgiveness/Scholarship and Other Programs

Loan Repayment/Forgiveness/Scholarship and Other Programs


Welcome to the State and Federal Loan Repayment, Forgiveness, Scholarship, and Other Programs database. This searchable database provides detailed information about many of the state and federal programs available to medical and dental students. Please note this compilation of listings is not exhaustive. Your medical school advisor or financial aid advisor may have information regarding additional resources that are not listed here.

Key word search

Total Number of All Programs: 72

| Program | State/Other | Designation |
|--|----------------------|---------------------|
| Arizona Loan Repayment Program | Arizona | State |
| Board of Medical Scholarship Awards | Alabama | State |
| CalHealthCares | California | Federal |
| California State Loan Repayment Program | California | Federal |
| Colorado Health Service Corps Loan Repayment Program | Colorado | Federal/State |
| Community Match Rural Physician Recruitment Program | Arkansas | State |
| County Medical Services Program Loan Repayment Program (CMSP LRP) | California | State |
| DC Health Professional Loan Repayment Program (HPLRP) | District of Columbia | Federal/State |
| Delaware State Loan Repayment Program | Delaware | Federal/State |
| Doctors for Maine's Future Scholarship | Maine | State |
| Dr. James L. Hutchinson and Evelyn Robbs Hutchinson Medical School Scholarship | California | State |
| Georgia Physician Loan Repayment Program (GPLRP) | Georgia | Federal/State |
| Health Professional Loan Repayment Program (HPLRP) | New Mexico | Federal/State |
| Health Professions Loan Assistance Program | Wisconsin | State |
| Indian Health Service Loan Repayment Program | Maryland | Federal |
| Indian Health Service Scholarship Program | Maryland | Federal |
| Kansas Bridging Plan | Kansas | State |
| Kansas State Loan Repayment Program | Kansas | Federal/State |
| Kentucky State Loan Repayment Program | Kentucky | 50/50 Federal Funds |
| Louisiana State Loan Repayment Program | Louisiana | Federal/State |
| Maine Health Professionals Loan Program | Maine | State |

https://systems.aamc.org/fed_loan_pub/index.cfm?fuseaction=public.welcome



WisMed Financial

Repayment Programs - example

| PROGRAM TYPE | NHSC Loan Repayment Program | NHSC SUD Workforce Loan Repayment Program | NHSC Rural Community Loan Repayment Program |
|--|---|---|---|
| DISCIPLINES ELIGIBLE FOR ALL PROGRAMS | Physicians (DO/MD) • Nurse Practitioners (NP) • Physician Assistants (PA) • Certified Nurse Midwives (CNM) Health Service Psychologists (HSP) • Licensed Clinical Social Workers (LCSW) • Psychiatric Nurse Specialists (PNS) Marriage and Family Therapists (MFT) • Licensed Professional Counselors (LPC) | | |
| DISCIPLINES ELIGIBLE FOR SPECIFIC PROGRAMS | + Dentists (DDS/DMD) Dental Hygienists (RDH) | + Substance Use Disorder (SUD) Counselors Pharmacists (PHARM) Registered Nurses (RN) | + Substance Use Disorder (SUD) Counselors Pharmacists (PHARM) Registered Nurses (RN) Certified Registered Nurse Anesthetists (CRNA) |
| AWARD AMOUNT | \$50K full-time / \$25K part-time | \$75K full-time / \$37.5K part-time | \$100K full-time / \$50K part-time |
| SERVICE COMMITMENT | 2 YEARS | 3 YEARS | |

<https://nhsc.hrsa.gov/loan-repayment/nhsc-all-loan-repayment-programs-comparison>



WisMed Financial

Repayment Programs - example

U.S. Department of Health and Human Services

Indian Health Service
The Federal Health Program for American Indians and Alaska Natives

Loan Repayment Program **LRP Basics**

Eligible Health Professions

LRP Basics How LRP Can Work For You

Eligibility/Selection Criteria If you are a dedicated health professional willing to fulfill a two-year service commitment, the IHS Loan Repayment Program (LRP) can help you chart a course for a long-lasting and successful health care career. **The LRP awards repayment of up to \$50,000** for qualified health profession education loans to clinicians who commit to practice in health facilities serving American Indian and Alaska Native communities for an initial two-year commitment. Opportunities are based on Indian health program facilities with the greatest staffing needs in specific health profession disciplines.

Financial Incentives

Other Resources

Apply Now

Online Login

<https://www.ihs.gov/loanrepayment/index.cfm>



WisMed Financial

Repayment Programs - example

Home / Employment, Top Stories, VA Careers

Pay off your school debt quickly with this VA program

Earning an advanced degree with little or no debt sounds almost too good to be true, doesn't it? But for health care professionals who take advantage of VA's [Education Debt Reduction Program \(EDRP\)](#), it isn't.

One of the most comprehensive education support programs in the nation, EDRP provides up to \$40,000 a year — or \$200,000 over a five-year period — in loan repayment.

<https://news.va.gov/80815/pay-off-school-debt-quickly-va-program/>



WisMed Financial

Loan Forgiveness

- Do not need to work for government or 501(c)3 not-for-profit
- Must be on an Income-Drive Repayment (IDR) plan
- Generally, Federal loans only
- 20 years of payments for undergrad loans or 20-25 years for graduate or professional study loans depending on payment plan
- Document qualified payments with loan servicer and recertify income and family size
- Amount forgiven is generally taxable*

*American Rescue Plan Act of 2021 makes forgiveness non-taxable through 2025

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



WisMed Financial

Public Service Loan Forgiveness (PSLF)

- Applies to Federal Direct Loans only
- Make 120 qualifying monthly payments under an IDR plan
- Work full time for qualifying employer (government or not-for-profit organization)
- Document qualified payments and qualifying employer with loan servicer (MOHELA) and recertify income and family size
- Amount forgiven is tax free

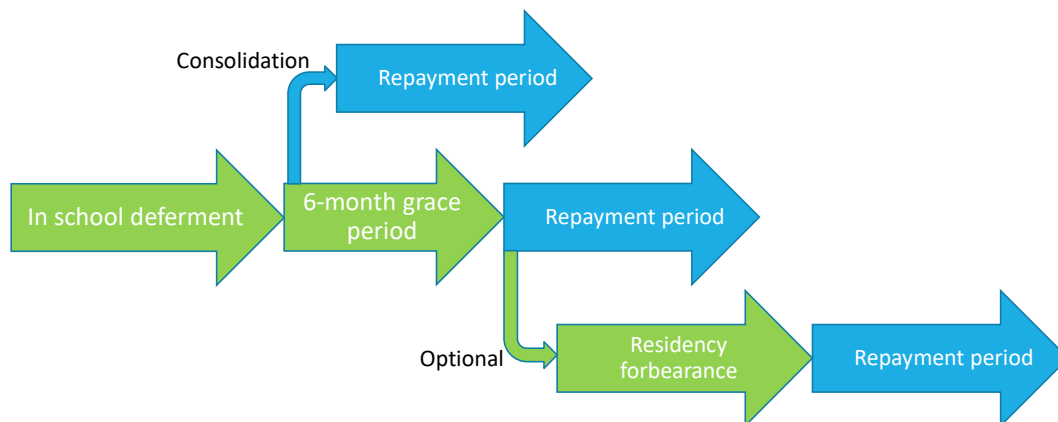
<https://studentaid.gov/manage-loans/forgiveness-cancellation/public-service>

Determine your
payment plan



WisMed Financial

Repayment Timeline



Tip! Consolidate early to skip the grace period.



WisMed Financial

Federal Student Loan Repay Options

Basic Repayment Plans

- Standard 10 Year Repayment, equal monthly payments
- Graduated 10 Year Repayment, monthly payments start lower then increase every 2 years
- Extended 25 Year Repayment, lower monthly payments either fixed or graduated

Income Driven Repayment (IDR) Plans

- Payment based on income instead of loan balance or interest rate
- Remaining loan balance forgiven after 10 years, 20 years, or 25 years



WisMed Financial


Narrowing the IDR Choices (Typical)

| | ICR: Income-Contingent Repayment | IBR 2009: Income Based Repayment 15% | IBR 2014: Income Based Repayment 10% | PAYE: Pay as You Earn** | SAVE: Saving on a Valuable Education |
|--------------------|---|---|--------------------------------------|--|--|
| Typical Loan Types | Parent loans | All except parent loans* | All except parent loans* | All except parent loans* | All except parent loans* |
| Loan Dates | N/A | N/A | No federal loan balance on 7/1/2014 | New borrower with disbursement on or after 10/1/2011 | N/A |
| Payment | Fixed over 12 years or 20% discretionary income | 15% of discretionary income | 10% of discretionary income | 10% of discretionary income | 5% of discretionary income undergrad 10% of discretionary income grad |

*May need to consolidate ineligible loans like Federal Perkins or FFEL loans so they qualify

** Must enroll prior to 7/1/2024 or consider IBR payment plan after 7/1/2024

| | ICR: Income-Contingent Repayment | IBR 2009: Income Based Repayment 15% | IBR 2014: Income Based Repayment 10% | PAYE: Pay as You Earn | SAVE: Saving on a Valuable Education |
|--|---|---|--------------------------------------|--|--|
| Discretionary Income | AGI exceeding poverty line | AGI exceeding 150% of poverty line | AGI exceeding 150% of poverty line | AGI exceeding 150% of poverty line | AGI exceeding 225% of poverty line |
| Payment capped at 10-year standard? | No, payment always driven by income | Yes | Yes | Yes | No, payment always driven by income |
| Length of repayment | 25 years of PSLF | 25 years or PSLF | 20 years or PSLF | 20 years or PSLF | 10 years if borrowed < \$12,000*, 20 years undergrad, 25 years grad, or PSLF |
| Treatment of Accrued but Unpaid Interest | Interest capitalizes annually | No limit to interest capitalization | No limit to interest capitalization | Unpaid interest will not be added to principal when leaving PAYE | Unpaid interest does not accrue |



WisMed Financial

Narrowing Down the Choices (Typical)

| | ICR: Income-Contingent Repayment | IBR 2009: Income Based Repayment 15% | IBR 2014: Income Based Repayment 10% | PAYE: Pay as You Earn | SAVE: Saving on a Valuable Education |
|---------------------------|--|---|--------------------------------------|-----------------------|--------------------------------------|
| Married Filing Joint | Use joint AGI and couple's combined debt | | | | |
| Married Filing Separately | Use individual's AGI and individual's student debt | | | | |



WisMed Financial

SAVE plan rolling out 2023-2024

How do I apply for the SAVE Plan?

If you [apply for an IDR plan now](#) and select the REPAYE Plan, you will automatically be put on the SAVE Plan once it becomes available. You can also select the option for your loan servicer to place you on the lowest monthly payment plan (this will usually be REPAYE).

The application for the new SAVE Plan will be available later this summer. You can also sign up by contacting your loan servicer directly.

<https://studentaid.gov/announcements-events/save-plan>

Apply for an IDR plan now = <https://studentaid.gov/idr/>



WisMed Financial

Other Fixes and Changes

- Permanent fix to payment counting
 - StudentAid.gov will start to display your payment count
- Retroactive credit toward forgiveness in 2024 for FFEL and other non-qualifying federal loans which are consolidated before the end of 2023
 - See "FAQ – If I consolidate, will that reset my payment count for IDR and PSLF?" Answer: No, payment count won't reset.
- Consolidate loans with different amounts of time in repayment
 - If repayment history overlaps for each loan, the consolidation loan will be credited with the longest amount of time in repayment.
- Borrowers will automatically receive credit toward forgiveness for certain periods of deferment and forbearance.
- Borrowers will be given the option to make additional "catch-up" payments to get credit for all other periods of deferment or forbearance.

<https://studentaid.gov/announcements-events/idr-account-adjustment>

<https://studentaid.gov/announcements-events/save-plan>



WisMed Financial

Other Fixes and Changes

- Integration with IRS
 - With your permission, Dept. of Education accesses your tax return so you don't need to manually provide income or family size on initial application or recertification.
 - Auto-recertification available in 2024
- End of Interest Capitalization in most cases
 - As of July 1, 2023, unpaid accrued interest won't be added to principal when leaving an income driven repayment plan except for the IBR plan.

<https://studentaid.gov/announcements-events/save-plan>



Other payment
plan considerations



WisMed Financial

Switching Repayment Plans

Can switch among income driven repayment plans.

Sometimes advantageous to start with SAVE (unpaid monthly interest is subsidized) then switch to PAYE (monthly payment is capped and 5 years shorter than SAVE for grad loans) prior to higher income.

- Remember, you must have a *partial financial hardship* to apply for PAYE, so may not be able to switch once earning Attending income.
- Partial financial hardship = income driven payment is less than 10-year standard payment

Note: No new enrollments to PAYE after July 1, 2024, consider IBR instead.



WisMed Financial

Married Taxpayers Filing Separately

Loan payment is based on borrower's income. By lowering the income from joint to single income, the loan payment could reduce.

However, married filing separately generally results in a higher tax payment.

1. Calculate taxes MFJ vs. MFS with tax preparer.
IRS Form 8958 to split income and withholding for MFS
2. Calculate student loan payment Married Filing Joint vs. Separately
<https://studentaid.gov/loan-simulator/> and/or <https://www.vin.com/studentdebtcenter/>
3. Net the results
4. Compare to projected forgiveness amounts



WisMed Financial

Married Taxpayers Filing Separately

Example of a couple with 2 children in 2023:

\$270,000 physician income

\$300,000 physician's grad loans at 6%

\$0 spouse income

\$0 spouse loan

Loan payment for physician on PAYE:

MFJ = \$1,875

MFS (community property state) = \$750

MFS (common law state) = \$1,875

10-year standard payment = \$3,331

Community property states in red



Loan payment for physician on SAVE:

MFJ = \$1,688

MFS (community property state) = \$562

MFS (common law state) = \$1,688

By Legalskeptic - Own work, CC BY-SA 3.0, https://commons.wikimedia.org/wiki/File:USCP_1001.PNG
Community property in the United States. (2023, April 27). In Wikipedia. https://en.wikipedia.org/wiki/Community_property_in_the_United_States



WisMed Financial

Alternative Documentation

My spouse and I file separate federal income tax returns. However, we live in a community property state and are required to combine our incomes and split the total amount evenly for federal income tax reporting purposes. If I apply for an income-driven repayment plan, can my loan servicer consider only my individual income when determining my eligibility and payment amount?

Your loan servicer may allow you to submit alternative documentation of your individual income that would be used instead of the adjusted gross income shown on your federal income tax return. Before you submit alternative documentation of your income, check with your loan servicer to see if this option is available.

<https://studentaid.gov/manage-loans/repayment/plans/income-driven/questions#married-borrowers>



WisMed Financial

Alternative Documentation

If you haven't filed a federal income tax return in the past two years, or if your current income is significantly different from the income reported on your most recent federal income tax return (for example, if you lost your job or have experienced a drop in income), alternative documentation of your income will be used to determine your eligibility and calculate your monthly payment amount. You can provide alternative documentation in one of the following ways:

- If you currently receive taxable income, you must submit a paper Income-Driven Repayment Plan Request with alternative documentation of your income, such as a pay stub.
- If you currently don't have any income or if you receive only untaxed income, you can indicate that on the online or paper application. In this case, you're not required to supply further documentation of your income.

<https://studentaid.gov/manage-loans/repayment/plans/income-driven#apply>



WisMed Financial

Action Steps

1. Run VIN student loan calculator
 - Download loan data file from <https://studentaid.gov/>
 - Calculator <https://www.vin.com/studentdebtcenter/>
2. Use the PSLF Help Tool
 - <https://studentaid.gov/pslf/>
 - Search for qualifying employers
 - Learn actions you need to become eligible for PSLF
 - Generate a PSLF form
3. Consolidate loans ineligible for PSLF or with different payment lengths by 12/31/2023
4. Review switching from SAVE to PAYE near end of fellowship or by 7/1/2024 if earlier.
 - If end is after 7/1/2024, review switching from SAVE to IBR.



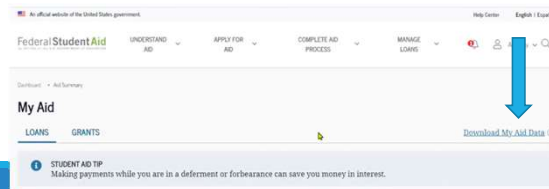
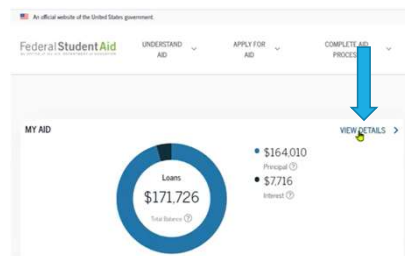
Student Loan Projection

<https://studentaid.gov/>

download MyStudentData.txt

<https://www.vin.com/studentdebtcenter/>

Import MyStudentData.txt



WisMed Financial

Q&A

Slides at WisMedFinancial.org/student-loans



Mark Zietz, CFP®, AIF®
 (608) 442-3750
Mark.Zietz@WisMedFinancial.org

