

# Navigating the Evolving Landscape of Student Loans, Income Taxes, and Retirement Savings in 2025 & 2026

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## Federal Student Loans Disclaimer

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This information is believed to be accurate as of Mar. 5, 2025.

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

These items have changed regularly over the past few years and may continue to change by actions in Washington and the courts.



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## Federal Student Loan Repay Options

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### 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



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# SAVE Student Loan Repayment Plan Status

February 18, 2025

On February 18, 2025, the 8th Circuit Court of Appeals...upheld the injunction, continuing to block the SAVE plan in its entirety, including the forgiveness provisions, which subsequently blocked the administration from processing forgiveness for borrowers enrolled in PAYE and ICR plans as well.

The case will now return to the Eastern Missouri lower district court, which is tasked with issuing a final ruling on the fate of the SAVE plan.

Notably, the ruling also directed the lower court to strengthen the injunction, stating that the block on the SAVE plan should be broader. The decision explicitly ordered the lower court to enjoin both the full SAVE plan ruling and what has been referred to as the "hybrid rule."

Walter, M. (2025, February 25). *Court Ruling Affirms Blocking of SAVE Plan While Next Steps for the Program Remain Uncertain*. NASFAA. [https://www.nasfaa.org/news-item/35688/Court\\_Ruling\\_Affirms\\_Blocking\\_of\\_SAVE\\_Plan\\_While\\_Next\\_Steps\\_for\\_the\\_Program\\_Remain\\_Uncertain](https://www.nasfaa.org/news-item/35688/Court_Ruling_Affirms_Blocking_of_SAVE_Plan_While_Next_Steps_for_the_Program_Remain_Uncertain)



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# SAVE Student Loan Repayment Plan Status

## House Budget Bill Likely Necessitates Drastic Cuts To Student Loan Programs

A key component of these mandated savings will likely be the potential elimination of the SAVE plan—the student loan repayment program introduced by the Biden administration.

According to a 50-page House document released a few weeks ago, ending SAVE could contribute savings of as much as \$127 billion over 10 years (The *New York Times* pegs the savings even higher, at \$150 billion depending on "depending on the status of the litigation [legal challenges from states related to SAVE]).

- **Sunsetting Grad And Parent Plus Loans:** The House list proposes eliminating parent PLUS and grad PLUS loans by 2028.

Ziv, S. (2025, February 27). *House passes Trump budget bill: Here's what it means for student loans*. Forbes. <https://www.forbes.com/sites/shaharziv/2025/02/26/house-budget-bill-passes--heres-what-it-means-for-student-loans/>




Dept. of Ed created

Congress created




Dept. of Ed created

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# Income-Driven Repayment Plans

	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 7/1/20274.

	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 or 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	Capitalized interest cannot exceed 10% of the loan amount entering plan	Unpaid interest does not accrue



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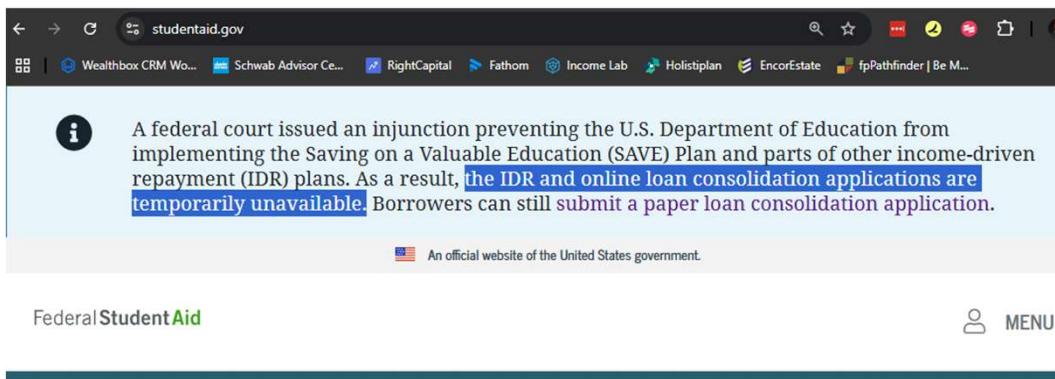
## Narrowing Down the Choices (Typical)

	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				



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## IDR Application Unavailable



The screenshot shows a browser window at studentaid.gov. A message box with an information icon states: "A federal court issued an injunction preventing the U.S. Department of Education from implementing the Saving on a Valuable Education (SAVE) Plan and parts of other income-driven repayment (IDR) plans. As a result, the IDR and online loan consolidation applications are temporarily unavailable. Borrowers can still submit a paper loan consolidation application." Below the message is the text "An official website of the United States government." At the bottom of the page, the "Federal Student Aid" logo and a "MENU" button are visible.





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# Married Taxpayers Filing Separately

Example of a couple with 2 children in 2024:

- \$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 = \$1,860
  - MFS (community property state) = \$802
  - MFS (common law state) = \$1,927
  - 10-year standard payment = \$3,413

Community property states in red



- Loan payment for physician on SAVE:
- MFJ = \$1,665
  - MFS (community property state) = \$641
  - MFS (common law state) = \$1,766

By Legalskeptic - Own work, CC BY-SA 3.0, [https://commons.wikimedia.org/wiki/File:USA\\_Community\\_Property\\_States.png](https://commons.wikimedia.org/wiki/File:USA_Community_Property_States.png)  
Community property in the United States. (2023, April 27). In *Wikipedia*. [https://en.wikipedia.org/wiki/Community\\_property\\_in\\_the\\_United\\_States](https://en.wikipedia.org/wiki/Community_property_in_the_United_States)

# Tax Planning



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Created by the Wisconsin Medical Society



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# Know your bracket to know your strategy

High tax bracket =  accelerate deductions & defer income

Low tax bracket =  accelerate income & defer deductions



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# Know your bracket to know your strategy



Gross Income

### Pretax Deductions



HSA



401(k)  
or  
403(b)



Deductions:  
standard or  
itemized

### Taxable Income



10%



12%



22%



24%



32%



35%



37%



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# 2025 Deductions

HEALTH SAVINGS ACCOUNT			
COVERAGE	CONTRIBUTION	MINIMUM ANNUAL DEDUCTIBLE	MAX. OUT-OF-POCKET EXPENSE
INDIVIDUAL	\$4,300	\$1,650	\$8,300
FAMILY	\$8,550	\$3,300	\$16,600
AGE 55+ CATCH UP	\$1,000	-	-

RETIREMENT PLANS	
ELECTIVE DEFERRALS (401(K), 403(B), 457)	
Contribution Limit	\$23,500
Catch Up (Age 50+)	\$7,500
Catch Up (Ages 60-63)	\$11,250
403(b) Additional Catch Up (15+ Years of Service)	\$3,000

STANDARD DEDUCTION			
FILING STATUS		ADDITIONAL (AGE 65/OLDER OR BLIND)	
MFJ	\$30,000	MARRIED (EACH ELIGIBLE SPOUSE)	\$1,600
SINGLE	\$15,000	UNMARRIED (SINGLE, HOH)	\$2,000

# 2025 Tax Brackets

FEDERAL INCOME TAX		
Rates apply to taxable income (i.e., income after deductions).		
TAX RATE	MFJ	SINGLE
10%	\$0 - \$23,850	\$0 - \$11,925
12%	\$23,851 - \$96,950	\$11,926 - \$48,475
22%	\$96,951 - \$206,700	\$48,476 - \$103,350
24%	\$206,701 - \$394,600	\$103,351 - \$197,300
32%	\$394,601 - \$501,050	\$197,301 - \$250,525
35%	\$501,051 - \$751,600	\$250,526 - \$626,350
37%	Over \$751,600	Over \$626,350

WI tax brackets range from 3.5% to 7.65%.  
Most WI taxpayers are in the 5.3% marginal income tax bracket.

# Federal Item. Deduct.

Categories:

- Medical and Dental Expenses
  - Amount > 7.5% of AGI is deductible
- Taxes You Paid (capped at \$10,000)
  - WI income taxes
  - Property taxes
- Interest You Paid (for your home)
- Gifts to Charity

Or claim standard deduction if higher:

STANDARD DEDUCTION 2025			
FILING STATUS		ADDITIONAL (AGE 65/OLDER OR BLIND)	
MFJ	\$30,000	MARRIED (EACH ELIGIBLE SPOUSE)	\$1,600
SINGLE	\$15,000	UNMARRIED (SINGLE, HOH)	\$2,000

**SCHEDULE A (Form 1040)** **Itemized Deductions** OMB No. 1545-0047

Department of the Treasury Internal Revenue Service **2024** Attachments: Sequence No. 07

Go to [www.irs.gov/ScheduleA](https://www.irs.gov/ScheduleA) for instructions and the latest information. **Caution:** If you are claiming a net qualified disaster loss on Form 4684, see the instructions for line 16.

Name(s) shown on Form 1040 or 1040-SR Your social security number

<b>Medical and Dental Expenses</b>	<b>Caution:</b> Do not include expenses reimbursed or paid by others.		
1 Medical and dental expenses (see instructions)		1	
2 Enter amount from Form 1040 or 1040-SR, line 11		2	
3 Multiply line 2 by 7.5% (0.075)		3	
4 Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-		4	
<b>Taxes You Paid</b>	<b>State and local taxes.</b>		
5	a State and local income taxes or general sales taxes. You may include other income taxes or general sales taxes on line 5a, but not both, if you elect to include general sales taxes instead of income taxes, check this box <input type="checkbox"/>	5a	
	b State and local real estate taxes (see instructions)	5b	
	c State and local personal property taxes	5c	
	d Add lines 5a through 5c	5d	
	e Enter the smaller of line 5d or \$10,000 (\$5,000 if married filing separately)	5e	
6	Other taxes. List type and amount:	6	
7	Add lines 5e and 6	7	
<b>Interest You Paid</b>	<b>Home mortgage interest and points.</b> If you didn't use all of your home mortgage loan(s) to buy, build, or improve your home, see instructions and check this box <input type="checkbox"/>		
	a Home mortgage interest and points reported to you on Form 1098. See instructions if limited. See instructions.	8a	
	b Home mortgage interest not reported to you on Form 1098. See instructions if limited. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address.	8b	
	c Points not reported to you on Form 1098. See instructions for special rules.	8c	
	d Reserved for future use	8d	
	e Add lines 8a through 8c	8e	
9	Investment interest. Attach Form 4952 if required. See instructions	9	
10	Add lines 8e and 9	10	
<b>Gifts to Charity</b>	<b>Gifts by cash or check.</b> If you made any gift of \$250 or more, see instructions.		
	Caution: If you made a gift and got a benefit for it, see instructions.		
11	Other than by cash or check. If you made any gift of \$250 or more, see instructions. You must attach Form 8283 if over \$500	11	
12	Carryover from prior year	12	
13	Add lines 11 through 12	13	
14		14	
<b>Casualty and Theft Losses</b>	Casualty and theft losses from a federally declared disaster (other than net qualified disaster losses). Attach Form 4684 and enter the amount from line 18 of that form. See instructions.		
15		15	
<b>Other Itemized Deductions</b>	Other—from list in instructions. List type and amount:		
16		16	
<b>Total Itemized Deductions</b>	Add the amounts in the far right column for lines 4 through 16. Also, enter this amount on Form 1040 or 1040-SR, line 12		
17		17	
<b>Other Deductions</b>	If you elect to itemize deductions even though they are less than your standard deduction, check this box <input type="checkbox"/>		
18		18	

For Paperwork Reduction Act Notice, see the Instructions for Form 1040. GSE No. 17145C Schedule A (Form 1040) 2024



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## House of Rep. Bill, H.Con.Res.14

Passed on 2/25/2025

Summary of personal tax changes:

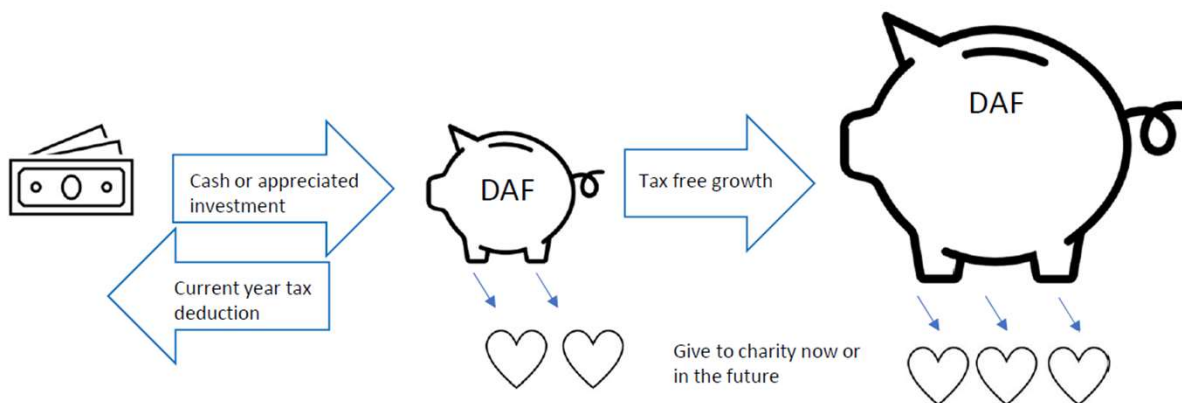
- Extending the Tax Cuts and Jobs Act – \$4.6 trillion
- Not taxing overtime pay – \$300 billion
- Not taxing tips – \$200 billion
- Lowering the corporate tax rate for U.S.-made products – \$150 billion
- Removing the SALT cap – \$1.2 trillion
- Ending taxes on Social Security income – \$1.5 trillion

<https://www.forbes.com/sites/mikesylvester/2025/02/26/president-donald-trumps-big-beautiful-budget-bill-moves-forward/>



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## Charity – Under Age 70 1/2





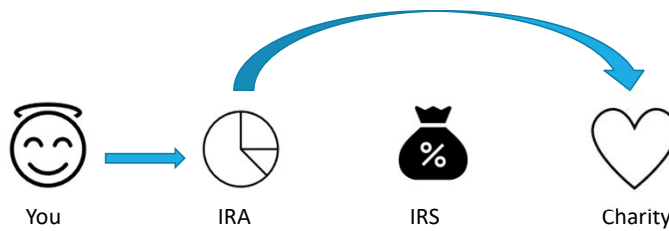
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## QCD – Over Age 70 1/2

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Qualified Charitable Distribution (QCD)

- Give funds from an IRA directly to charity.
- Gifts count toward required minimum distribution.
- Gifts do not count as adjusted gross income for taxes.



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## Retirement

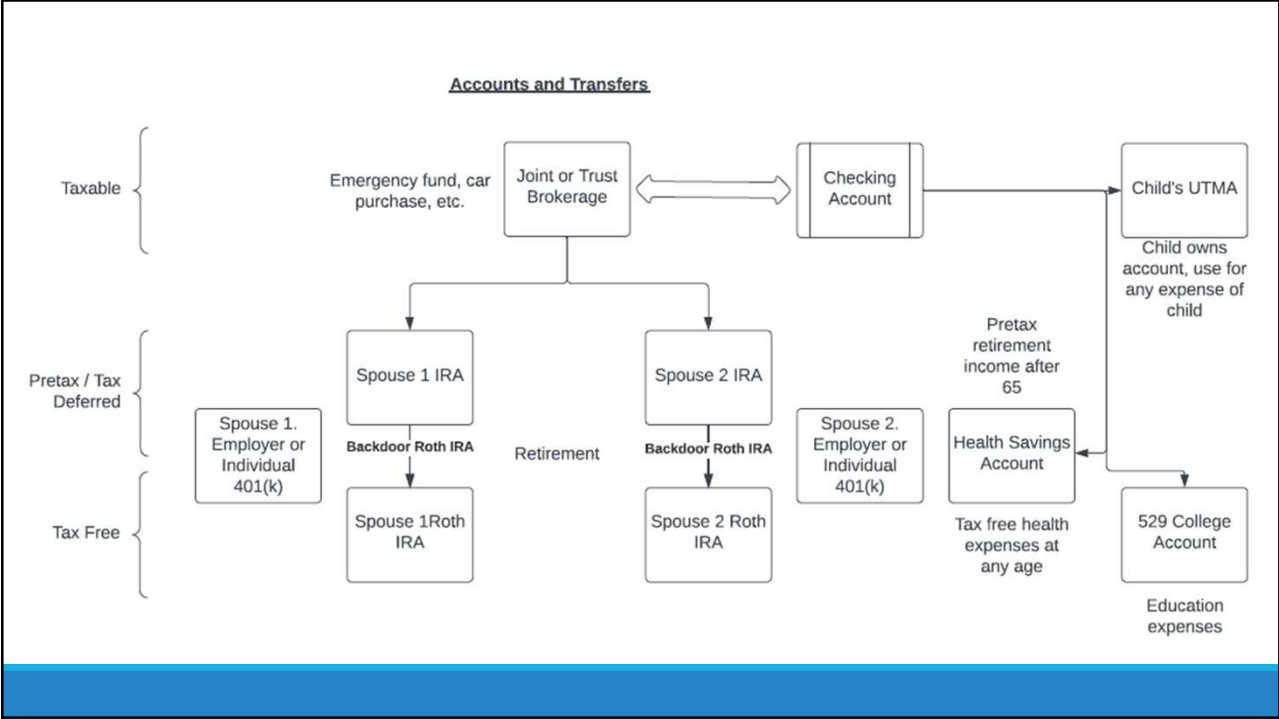
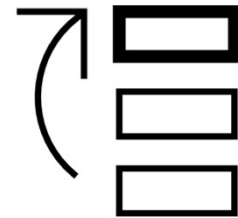
Priority order of saving and investing

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# Investing Priority Order

1. Employer retirement plan to maximum match
2. Employer retirement plan to contribution maximum.
3. Roth IRA or Backdoor Roth IRA.
4. Health Savings Account (requires high deductible health plan)
5. Taxable investment account
6. College savings for children

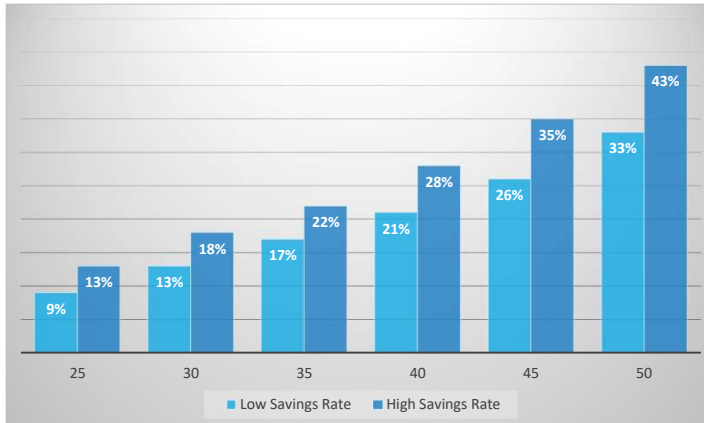
2, 3, and 4. can be interchanged depending on personal circumstances





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## Savings Rates by Starting Age



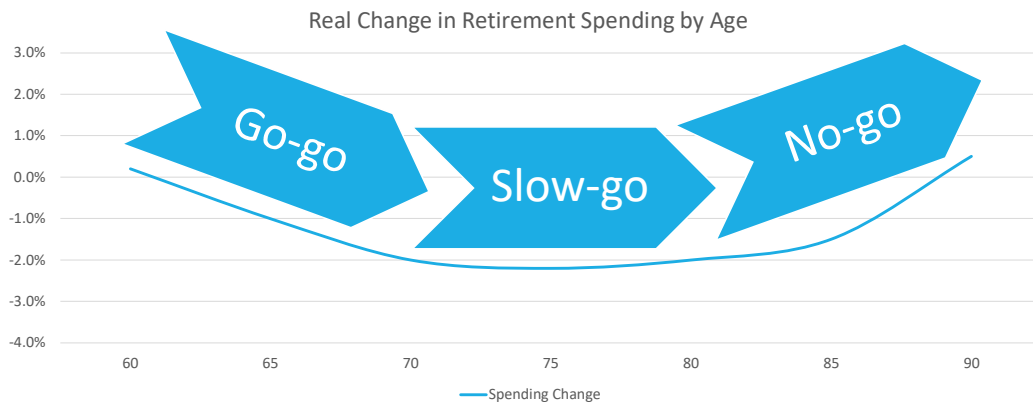
<https://www.schwab.com/learn/story/4-retirement-rules-thumb-explained>

Schwab Center for Financial Research, using inflation and return forecasts from Schwab's 2023 Long-Term Capital Market Expectations.



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## Spending Changes



Adapted from Blanchett, D. (2013, Nov. 5). *Estimating the True Cost of Retirement*. Morningstar.  
<https://www.morningstar.com/content/dam/marketing/shared/research/foundational/677785-EstimatingTrueCostRetirement.pdf>

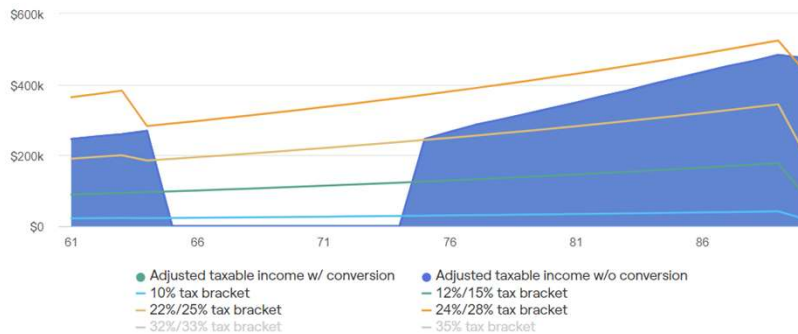


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# Why do Taxes Drop then Rise?

Tax planning with Roth conversions after retirement, before RMD.

Ordinary income tax bracket ▾



# Required Minimum Distributions

Age	Life Expectancy*	Equivalent % of Account**
72 (old starting age)	N/A	N/A
73 (born in 1951-1959)	26.5	3.78
74	25.5	3.93
75 (born in 1960+)	24.6	4.07
76	23.7	4.22

\$2,000,000 portfolio at age 73 = \$75,472 distribution  
 \$3,000,000 portfolio at age 73 = \$113,208 distribution

Use to calculate Required Minimum Distributions from IRAs and qualified plans during owner's life. Do not use this table if owner has spousal beneficiary more than 10 years younger. Instead use Joint Life Table from IRS Pub. 590.  
 \*RMD table starting 1/1/2023  
 \*\*Rounded to nearest 0.01%



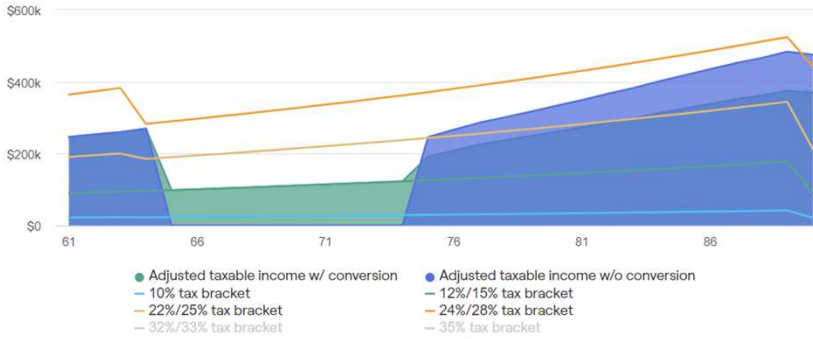
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# Why do Taxes Drop then Rise?

Tax planning with Roth conversions after retirement, before age RMD.

Ordinary income tax bracket ▾

Proposed plan ▾



Proposed Strategy  
**\$1,245,935 more**  
 tax adjusted ending portfolio than a taxable, tax deferred, tax free withdrawal strategy w/o conversion



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## Q & A



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