

# When Smart Debt Becomes Risky Debt

There are smart student loan decisions, nonsensical ones and those in between. One good rule of thumb in deciding if your student loan debt is a smart choice or a risky one is gauging it against your expected annual salary after you graduate. Your total debt shouldn't be more than one year of your expected salary. If it is, doing the math will show you that you'll be struggling to make your student loan payments.

Having a \$100,000 debt for a teaching certificate or culinary school, with no way to pay more than the minimum payments, isn't a healthy decision for your future. Likewise, it would be risky to rack up \$125,000 of law school debt if you want to practice law for \$50,000 per year at a social services agency rather than earning the high income a corporate law practice can yield.

Higher education is an admirable pursuit. It makes us better citizens, more informed and more productive members of society. It also makes us more marketable. On average, college graduates earn XX% more than non-graduates over their lifetime. With earning potential like that, it's easy to see how many people don't even hesitate to take out student loans.

There is a promise on the other end of college that you will have a better job and you'll be able to repay your student loans. The same promise is made at technical schools and to those seeking graduate degrees.

Be smart. Do your own research and calculate your own numbers. Deciding how much to let yourself take can be the difference between knowing you made a smart decision or feeling like you have a big weight hanging around your neck.

Some of the less scrupulous schools will show potential students charts and graphs of expected earnings, proving that investing in an education at their school will provide an excellent return on investment. "If you get this degree, this is what our graduates earn." At most schools the statistics are likely true, but be sure to read the fine print. Statistics can be easily manipulated, and banking on those statistics as proof that you'll be able to repay your student loan is a risky decision.

Be mindful that there is no guarantee of a job on the other end of your education. Even \$20,000 of student loan debt can be challenging if you don't get hired right out of college. Can you imagine having \$100,000 of debt and not being able to find a job with the kind of salary you were planning for? This has become more frequent, with the end result being an increase in defaults. In 2012 the Sacramento Bee noted that public college students borrow twice as much as in 2006, and are defaulting twice as fast.

