

Retirement or student loans – where should your money go?



There's no one-size-fits-all answer to the question of whether you should save for retirement or pay off student loans. It really depends on your unique goals, resources and circumstances. In most cases, you will need to do both at the same time. Just because you have student loans to pay off doesn't mean you should put investing on hold to do it – you don't have to prioritize one over the other.

While paying off your student loans ASAP may reduce your stress and mentally lighten your financial load, saving for your retirement can provide similar benefits – even if retirement feels really far away. This is because of the power of compound interest, where time plays a crucial role. Saving early means more time for your money to earn interest, yielding you more money when it is time to retire.

It's not impossible to find the right balance between paying student loans and saving for retirement. Here are some steps that will help you juggle both:

1 Create a budget

A budget acts as a foundation for supporting lifelong financial security; it's simply a way for you to understand if your income covers your expenses want what you have left for goals like retirement savings (and for student loan debt pay off). Look at your monthly budget and identify money that you can put toward savings. Try things like cutting hidden expenses, adjusting your shopping habits and avoiding unnecessary fees.

2 Consider refinancing or consolidation

Whether it makes sense to refinance your student loan(s) depends on your situation and current interest rates. Many borrowers may refinance or consolidate to score a lower interest rate or a lower monthly payment. If you choose to consolidate, be mindful about consolidating private and federal student loans together, as this can forfeit potential federal student loans benefits (like the recent repayment pause).

3 Know your student loan rate

Think of paying off your student loans as a form of investing. If your loan interest rate is lower than the return you can reasonably expect to get on your investments, it may make more sense to pay the minimum on your loans and focus on investing.

4 Don't miss student loan payments

The cardinal rule for paying off student debt is: Don't miss payments. Make at least the minimum payment on every loan and ensure the amount fits your monthly budget. If you can't manage the minimum, the [Consumer Financial Protection Bureau](#) has resources that can help you negotiate with federal and private lenders. Not making minimum payments or missing payments could lower your credit score, which can impact your ability to make big purchases (like a car or house) down the road.

TIP: Check with your employer to see if they offer a student loan repayment program or QSLP match as part of their employee benefit program.

5 Access student loan assistance

Employers can provide annual student loan repayment assistance without tax consequences for the employer or the employee. Although not all employers offer this feature, it's worth asking your Human Resources team to see if this perk is available to you.

6 Get your full employer 401(k) match

An employer match is literally free money. If one is available to you, you'll want to contribute as much as you can afford to your retirement plan – up to your employer's match. This can supercharge your retirement savings – especially with compounding coming into play. You may also want to ask your employer if they offer a student loan match that will enable you to receive a retirement plan matching contribution if you are making a Qualified Student Loan Payment (QSLP match).

7 Pay off high-interest debt

Debt with a high-interest rate, such as that held on a credit card, can quickly pile up – especially if you carry over your balance from month to month. Start by cutting back your credit card use and put any extra money toward your balance. With less debt, you'll be able to save more for retirement and other financial goals. The general rule is to pay down your debt with the highest interest rate first.

8 Build an emergency fund

Life happens, and you should plan for the unexpected. Otherwise, you might find yourself relying on a credit card or on retirement savings during a financial setback. Try and save at least three to six months of living expenses. Keep the money in a high-interest savings or money market account where it can grow and where you can easily access it should you need to make a withdrawal.

9 Put additional funds to work

When you're fortunate enough to have leftover funds, use them wisely. After you've paid your debts – and yourself – consider saving and investing the rest for other goals you may have. While investing involves risks and you could lose money in the market, you may also gain more from investment returns over the long run.



If you have questions about your workplace retirement plan, please contact your Human Resources department or your retirement plan provider's customer service center.

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