Graduate Student Health & Wellness Committee

Spring 2019

Debt Management

Getting out of Debt & Avoiding Debt

There are several ways to manage your debt, including managing your credit cards, developing budgets, paying off your debt, and having an emergency fund in place. While all these things may not be realistic solutions for you as a graduate student, you might find a tip that works for you in this list of recommended practices for managing debt:

Pay down your credit cards

- Stop accepting new credit card offers
- Pay more than your minimum balance
- Negotiate a lower interest rate
- Apply extra money to your balance

Develop a household budget

- What is your monthly income? What are your monthly expenses?
- Budget your savings and pay yourself first
- Try to save at least 10% of your pre-tax income each month

Paying off debt

- Prioritize your debt and pay off bad debt with higher interest rates first

Emergency funds

- Set aside money in an interest–bearing savings account or money market deposit account that is accessible and at minimal risk of losing value

Debt-to-Income Ratio

The debt-to-income ratio compares how much you owe each month to how much you earn. To do this:

- Add up your monthly expenses on debt and divide by your monthly gross income

Key Takeaways

- The first step in managing your debt is understanding the type of debt you have and the importance of your credit score.
- Avoid the dangers of credit card debt by having a budget and setting aside money in case of emergencies.

Good v. Bad Debt

Good Debt

- Potential investments in assets that grow
- Relatively low tax-adjusted interest rates
- Student loans
- Mortgages (*secured debt*)

Bad Debt

- Unforeseen events
- Undisciplined spending
- Credit cards, department store cards (*unsecured debt*)