Debt management: A testimony of conquering the financial burden of veterinary school

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Abstract
Paying veterinary school debt is a major concern for many recent graduates as they enter practice and are expected to take a portion of their income, sometimes a significant amount, to pay back the lender. I am here to share how I paid off my student debt of $184,000 in less than six years. This journey was not free of struggles and setbacks, but I can attest that it is possible to pay off your student debt if you set and commit to realistic goals. It is a rewarding feeling to be free of that heavy cloud of debt looming overhead. Here I will describe how I earned that feeling of being debt-free and the available repayment plans for you to conquer your debt as well.

Key words: student debt, budget, debt to income ratio, repayment plans

Introduction
I graduated from Michigan State University College of Veterinary Medicine in May 2015. After graduation, I started working at CalfCare in October 2015. I knew when I attended college that I wanted to pay off my debt – I felt it was a personal obligation. I borrowed the money and I was compelled to pay it back. The following is my experience of paying off my debt while dealing with other typical adult expenses along the way. I hope the information about student loan payment plans and my story will guide you in tackling the mountain of student debt.

Student debt facts
Student debt is a common topic of conversation as interest rates change and loans disbursed are increasing. AVMA reported the mean student loan debt, including private and federal loans, in 2015 for indebted United States veterinary graduates was $160,435.[2] In 2020, AVMA reported an increase of debt to $188,853 for United States veterinary school graduates.[3] The mean weighted starting salary for new DVM recipients in 2015 was $69,558.[2] In 2020, the mean weighted starting salary for new graduates was $90,722.[5] Salaries have increased in recent years, yet student loans on average have continued to rise sharply.

Know your status
When looking at your student loans, it is important to assess the type of loans you have as well as the repayment plans available. Utilize the National Student Loan Data System online to find all of the federal loans you owe. However, this does not show private loans, so it is your responsibility to know what you owe on those. Once you have the total debt calculated, it is recommended to compare that to your income. Your total debt divided by your gross income is called your debt-to-income ratio (DTI). This is one figure that may help guide you as to what repayment plan to enroll in. The mean DTI for 2020 veterinary school graduates was 2:1, with 20% of graduates having a DTI of 4:1 and 19% of graduates having a DTI of zero.[5]

Repayment plans
There are numerous repayment plan options for federal student loans, and it is important to be knowledgeable about them so you can pick the most appropriate plan for your personal situation. It is crucial to assess each of the plans and find the one that best fits your financial situation. One thing to note is that you can change plans or perhaps be reassigned to a different payment plan, depending on your income and overall financial situation. The standard or default plan is the 10-year plan, where your loan repayment is calculated by dividing the full loan into 120 fixed payments.

Two more options are the graduated and extended repayment plans, which start with a lower payment and then payments increase over time to be paid in full by 25 years. This plan will result in a larger amount of interest paid at the end of the 25 years. There is the Income Based Repayment plan (IBR) that takes 10 - 15 percent of your discretionary income as your minimum monthly payment for 20 to 25 years.

Another option is the Pay As You Earn plan or Revised Pay As You Earn plan that sets 10% of your discretionary income as the minimum monthly payment for up to 25 years. Your discretionary income is your taxable income subtracted by 150% federal poverty guidelines and the poverty guideline value is based on state of residence. Finally, there is the Public Service Loan Forgiveness plan that requires 120 qualifying payments while working in an eligible position, which is verified with annual certification forms.

There are other loan assistance programs available for federal loans such as employer assistance or assistance for those working in shortage areas. Some employers are aiding new graduates to pay a portion of their loans as incentive to work there for a minimum amount of time. Also, individuals who work in documented shortage areas for a set time period and complete the appropriate paperwork can receive assistance on a portion of their loans. The IBR, Pay As You Earn plan and Revised Pay As You Earn plans all require income verification and documentation annually to complete eligibility requirements to participate in these plans. After the 20 to 25 years of on-time payments, the remainder of the student loans will be forgiven or erased. However, that remaining balance of debt is considered taxable income, which means there will potentially be a sizable tax to pay on your income taxes at the end of your loan term. The Public Service Loan Forgiveness plan, if all certification and eligibility is met, will also have the remainder of the balance forgiven, however the remaining balance is actually tax-free.[1,4]

Consider your situation
There are quite a few options for repayment plans for federal student loans. Which one is best for you? Match your plan with your future goals and individual financial situation. It may help to look at your DTI to help guide you. It is recommended if your DTI is 1:1, you should enroll in a standard plan or IBR, as you

would pay the debt off before reaching the forgiveness.[4] If your DTI is 2:1 or greater, then it is recommended to do one of the income-based repayment plans and plan for loan forgiveness. It is recommended in this situation that you pay the minimum, reassess annually, and save for the tax after forgiveness.[4] Personally, I think it is also important to consider your personal beliefs as well as the stress it causes you to have unpaid debt for an extended period of time. If you are determined to pay off your debt and are able to hold yourself accountable, you can meet that goal.

Budget/financial plan

As you are figuring out how you will pay your loans, whatever plan you choose, you should have a financial plan or budget for your household. I personally don't care for the word "budget" as it sounds restricting; I use "financial plan" instead. You will know your take-home pay and any other income streams. Then, you will have to calculate the expenses you incur monthly and see what you have remaining. I prefer to have a zero-based financial plan where every dollar I earn as income is allocated. Sum the regular necessities – rent or mortgage, groceries, utilities and insurances. Then, account for your vehicle and its needs, your debts and retirement. You should have a category for an emergency fund with about $1,000 in a savings account for the flat tire or other emergencies that may occur. The remainder after subtracting those expenses from your income can then be used for donations, fun, vacation, savings, extra debt payment or however you choose.

My experience

Now that we have explored different approaches and considerations for paying student debt, I want to share some of the good and bad experiences I had with my journey of paying off $184,000 in five years and four months. My initial plan upon graduation was to pay my debt off as fast as possible, as I felt stressed thinking about owing on student loans for 20 to 25 years. I originally had taken out the full loan offered my first year of vet school and then didn't need it all. I worked a couple summer jobs, so the loan sat in savings until I started working as a veterinarian. For the rest of vet school, I estimated the amount needed to cover tuition and school expenses per semester and did not take out any additional loans beyond what was needed each semester. In the end, that extra loan from the first year provided peace of mind, as it acted as an emergency fund for several years. During vet school I did make some sacrifices to save money such as cooking most of my own meals, packing a lunch, and having friends come over to hang out instead of going out to events. I worked during my summer breaks in a university kitchen and did job shadowing on my days off with a couple local large animal veterinarians.

My first challenge upon graduation was finding a job working exclusively with cattle in the Midwest. I had several interviews and found a great fit at CalfCare, my current position, however I had almost four months without a veterinary job. I had my summer job in the kitchen so I was able to pay for living expenses, but the student loans sat there and I watched the interest continue to grow. I wanted to put money toward the interest on my loans before the six months of grace ended, but was not able to do so. Then, while preparing for my interview at CalfCare, my car broke down. This was the car I drove through my college years and since I didn't want to pay for the repair on the old car, I acquired a vehicle loan to purchase a new truck. Once I accepted the position at CalfCare, I worked hard and started to really pay off my loans in earnest. I started on the IBR plan and for my first year the minimum payment was around $200/month. This didn't cover interest accruing, as I calculated daily interest frequently and kept a close eye on the suggested payment amounts for each plan provided on the loan website. I recall my suggested 10-year plan payment being about $2,700/month when I started paying on my loans. I kept my financial plan close and modified it monthly, if not biweekly. I worked overtime when the opportunities arose so I could put some extra money down.

In 2016, I decided to buy a house as I was ready to settle down in the area, so I added a mortgage to my debt. Then, in 2018, I got married and had a large celebration that my husband and I paid for with cash. After getting married, we recalculated our financial plan and then primarily focused on paying off my husband's student debt and our other debt beside the house and my student loans. Once his loans and my truck were paid, we set up our financial plan such that almost all my paycheck went toward student loans, and we lived off of his income and the remainder of mine. At the beginning of 2020, I became ineligible for the IBR plan due to our combined incomes which automatically put me on the 10-year plan. Then COVID hit and student loan interest was set to 0% on my loans. This really helped me to be able to finish the debt paying marathon strongly. For one year, the payments I made had no interest accruing so I was actually able to pay them off quicker than I originally planned. In November 2020, we had our son and I took a shorter than average maternity leave, using paid time off to prevent us from going into debt while I was away from the clinic. I continued paying on the loans with ferocity and made my last loan payment in March 2021. Now, looking back almost one year of being debt free, I can say without hesitation it was absolutely worth it. My husband and I only have our mortgage and we are free to do anything we want. We are planning to travel more and show our son some of the national parks and sights around the country. We were supposed to take a trip to Poland in 2020 that was canceled due to COVID, so we are planning to go in a few years once our son is a little older. We now have so many more opportunities to participate in activities without any fear or stress of going deeper in debt. It truly was a weight lifted when I submitted the last payment.

Payoff strategies

At first, I tried paying off my 17 individual student loans from the highest interest rate to the lowest. This method of paying highest interest rate to lowest is called the avalanche method.[6] Those loans happened to have the largest balances too, so I thought it would be wise to pay those big balances first. It took a long time to pay off a $20,000 loan that now was $22,000 due to interest. In 2019, my husband and I completed Financial Peace University, a Dave Ramsey financial course, which taught us to pay debt in the opposite fashion, using the snowball method. One starts with extra payments toward the smallest balance first and working up to the largest, adding extra each time a debt is paid and not looking at interest rates. I surprised myself and tried the snowball method as a New Year's resolution in 2020, and it was more motivating than I had expected. I would find the extra few dollars to pay off a loan if that meant I got rid of that individual loan. I also motivated myself by creating a visual to track my progress, which was a simple countdown from 184 to 0 that I crossed off as I paid each $1,000. Other people are more creative and make images to color or paper chains to cut apart, to help keep them focused on the goal.

Financial tips

After going through my experience, I have a few tips for those who are committed to paying off their student loans. My husband and I made some sacrifices to be able to become debt-free, but we always made sure to take time for fun and do the things we love outside of work. We went to concerts, traveled, and went on lots of dinner dates; yet, we accounted for it in our financial plan. We contributed to retirement and kept an emergency fund, important components of your financial plan. We did get rid of our credit cards, as suggested by the Dave Ramsey program, which was helpful for us.[6] We became less tempted to spend money when we physically had to hand it to the cashier or use a debit card, knowing the money was immediately deducted from our account. Meeting with a financial advisor is another important step, as they can help with a multitude of financial areas such as retirement, investing, purchasing a home or practice, tax brackets and income taxes, insurances and more. Also, it would be a good idea to talk with a student loan planner as they will have great advice for your individual financial situation, especially the student debt part.

Conclusions

Paying off your student debt is not an impossible mission. If you make a financial plan and stick to it, you can work toward completing the goal of becoming debt free. Educate yourself on the options for repayment plans and your debt-to-income ratio will help guide you. Then, visit with a loan planner and a financial advisor to get set up on the best path for your individual financial success. My hope is that this information and my story inspire you to look closer at your specific financial situation and know that if you want to pay your student loans off, it is attainable in many situations. If you believe in yourself and can commit to a financial plan, you will be able to tackle that mountain of student debt.

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