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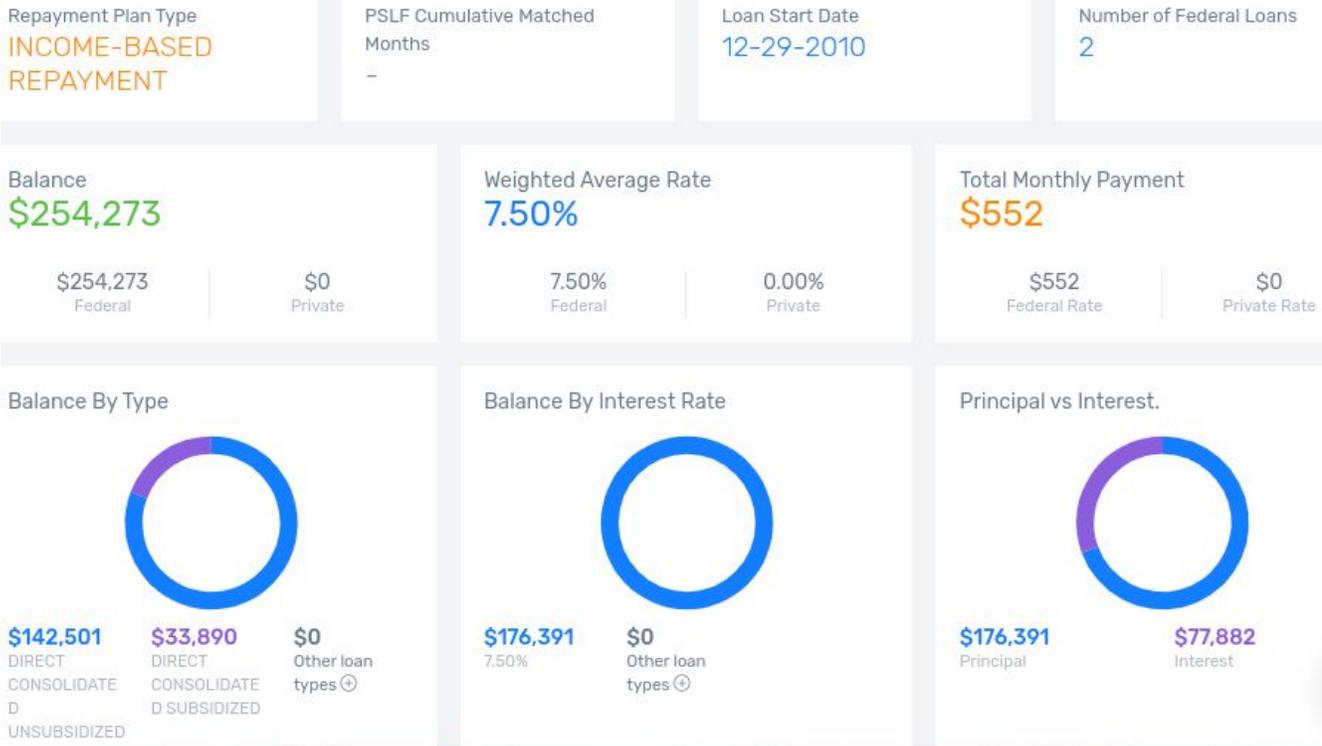
Kim & Kanye
Student Loan & PSLF Analysis
December 2019

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Disclaimer: All calculations are estimates using a variety of assumptions, including but not limited to: future earnings, future earnings growth, future tax rates, marital status, family size, and student loan repayment options available. We strive to be as accurate as possible, with the knowledge that any substantial changes to these assumptions may result in substantively different long term outcomes.

Loan Summary



Questions:

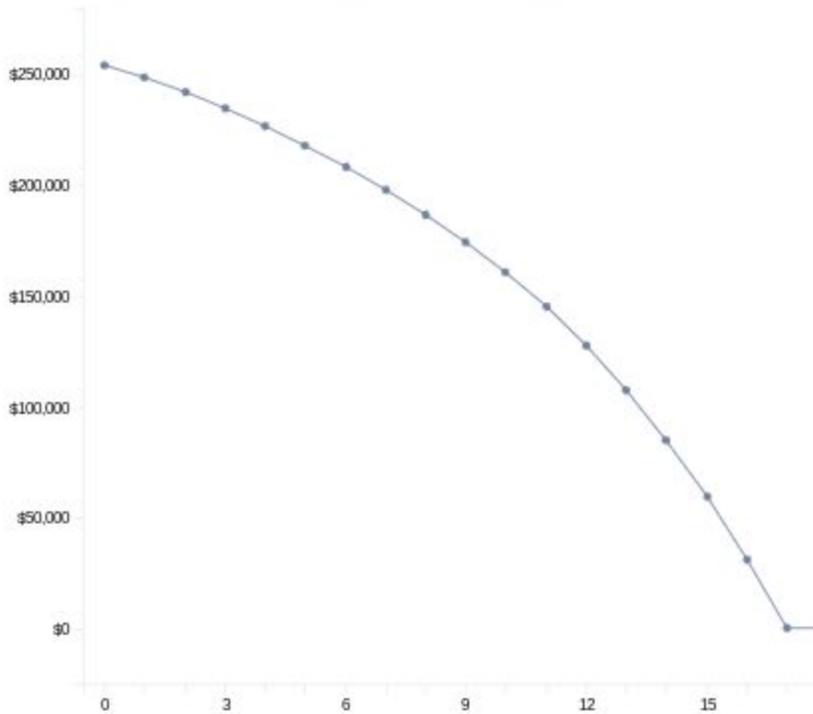
- What would your annual payments be if you use MFS vs MFJ on your taxes, going forward?
- What are the tax implications of using MFS instead of MFJ?
- What is the estimated total balance at forgiveness, and the tax implications of that forgiveness?
- What would it take in terms of monthly savings to pay for that tax bill upon forgiveness?
- If you were to go for PSLF, assuming a \$50,000 income (adjusting annually) for 10 years, what is the total cost?

Summary Of Analysis:

	Option A: Continue using MFJ and IBR	Option B: Use MFS and stay on IBR	Go for PSLF
Original Repayment Balance	\$254,273	\$254,273	\$254,273
Interest Rate	7.50%	7.50%	7.50%
Repayment (Years from now)	17	18	10
Total Repayment Cost	\$435,363	\$0	\$39,333
Amount Forgiven	\$0	\$505,630	\$347,233
Tax Due	\$0	\$194,491	\$0
Monthly Savings Needed to Cover Tax Due	\$0	\$557	\$0
Payments + Savings Needed to Plan Completion	\$435,363	\$120,312	\$39,333

Option A: Continue using Married Filing Jointly and Income-Based Repayment

Federal Student Loan Repayment Plans

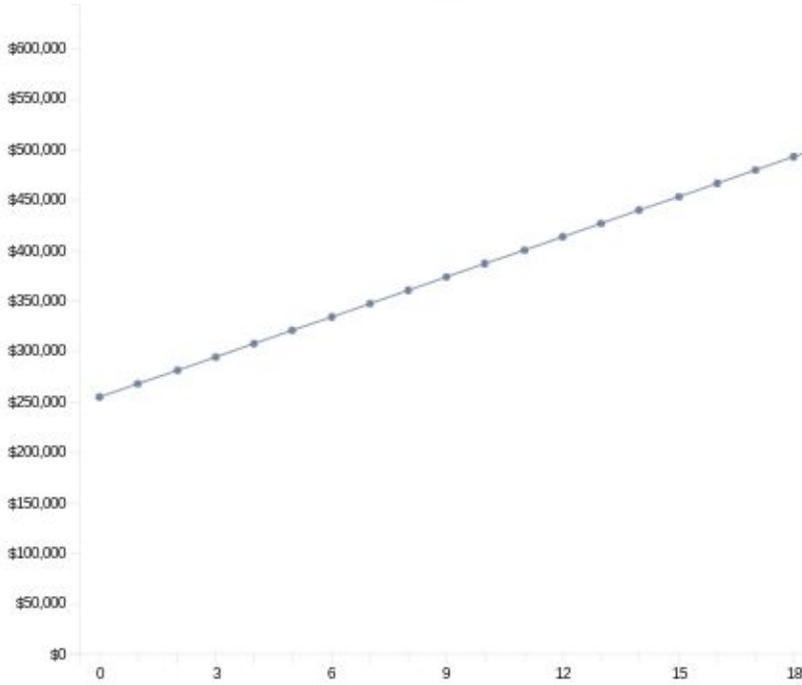


Assumptions:
 Kim AGI: \$13,188
 Kanye AGI: \$140,000
 Income Growth: 3% annually

IBR MFJ

Year	Monthly Payment	Remaining Principal	Accrued Interest	Total Debt	Total Payments
2020	\$1,598	\$176,391	\$72,433	\$248,824	\$19,173
2021	\$1,655	\$176,391	\$65,800	\$242,191	\$39,036
2022	\$1,714	\$176,391	\$58,456	\$234,847	\$59,609
2023	\$1,775	\$176,391	\$50,381	\$226,772	\$80,914
2024	\$1,838	\$176,391	\$41,553	\$217,944	\$102,971
2025	\$1,903	\$176,391	\$31,949	\$208,340	\$125,804
2026	\$1,969	\$176,391	\$21,546	\$197,937	\$149,437
2027	\$2,038	\$176,391	\$10,319	\$186,710	\$173,892
2028	\$2,109	\$174,372	\$0	\$174,372	\$199,196
2029	\$2,181	\$160,814	\$0	\$160,814	\$225,373
2030	\$2,256	\$145,272	\$0	\$145,272	\$252,449
2031	\$2,334	\$127,564	\$0	\$127,564	\$280,451
2032	\$2,413	\$107,494	\$0	\$107,494	\$309,408
2033	\$2,495	\$84,848	\$0	\$84,848	\$339,348
2034	\$2,579	\$59,397	\$0	\$59,397	\$370,300
2035	\$2,666	\$30,890	\$0	\$30,890	\$402,294
2036	\$2,756	\$0	\$0	\$0	\$435,363

Option B: Use Married Filing Separately (MFS), and Income-Based Repayment Federal Student Loan Repayment Plans



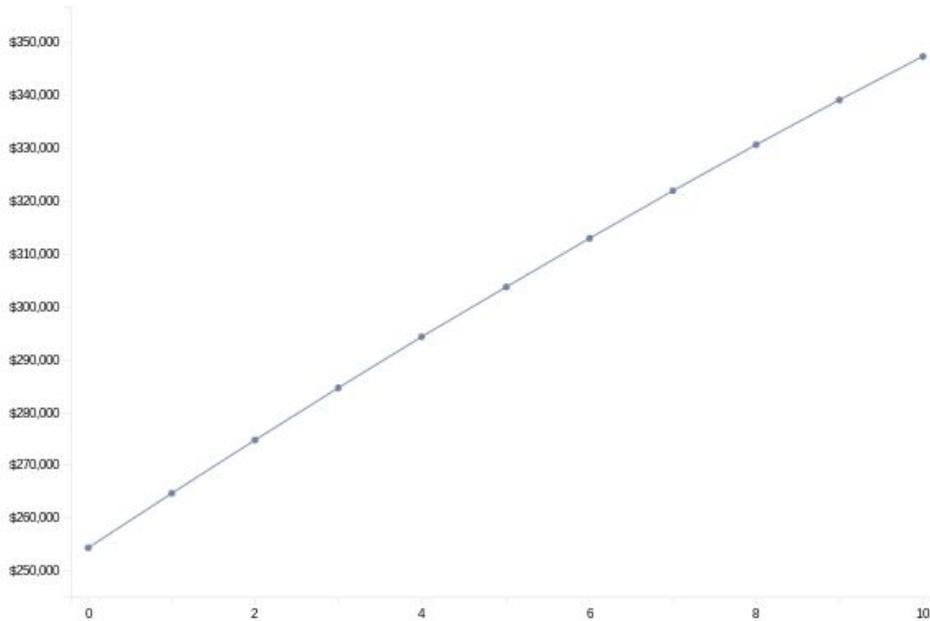
Assumptions:
 Kim AGI: \$13,188
 Kanye AGI: \$140,000
 Income Growth: 3% annually
 Federal Tax Rate at Forgiveness: 37%
 State Tax Rate at Forgiveness: 6%
 Investment Returns: 5% annually

IBR MFS

Year	Monthly Payment	Remaining Principal	Accrued Interest	Total Debt	Total Payments
2020	\$0	\$176,391	\$91,111	\$267,502	\$0
2021	\$0	\$176,391	\$104,341	\$280,732	\$0
2022	\$0	\$176,391	\$117,570	\$293,961	\$0
2023	\$0	\$176,391	\$130,799	\$307,190	\$0
2024	\$0	\$176,391	\$144,029	\$320,420	\$0
2025	\$0	\$176,391	\$157,258	\$333,649	\$0
2026	\$0	\$176,391	\$170,487	\$346,878	\$0
2027	\$0	\$176,391	\$183,717	\$360,108	\$0
2028	\$0	\$176,391	\$196,946	\$373,337	\$0
2029	\$0	\$176,391	\$210,175	\$386,566	\$0
2030	\$0	\$176,391	\$223,405	\$399,796	\$0
2031	\$0	\$176,391	\$236,634	\$413,025	\$0
2032	\$0	\$176,391	\$249,863	\$426,254	\$0
2033	\$0	\$176,391	\$263,093	\$439,484	\$0
2034	\$0	\$176,391	\$276,322	\$452,713	\$0
2035	\$0	\$176,391	\$289,551	\$465,942	\$0
2036	\$0	\$176,391	\$302,781	\$479,172	\$0
2037	\$0	\$176,391	\$316,010	\$492,401	\$0
2038	\$0	\$176,391	\$329,239	\$505,630	\$0

Option C: Go for [PSLF](#), using MFS & IBR to minimize payments

Federal Student Loan Repayment Plans



Assumptions:

Kim switches jobs and earns approximately \$50,000 per year, with an AGI of \$45,000 starting out, growing annually at 3% per year.

IBR MFS

Year	Monthly Payment	Remaining Principal	Accrued Interest	Total Debt	Total Payments
2019	\$245	\$176,391	\$88,166	\$264,557	\$2,945
2020	\$262	\$176,391	\$98,248	\$274,639	\$6,093
2021	\$280	\$176,391	\$108,121	\$284,512	\$9,449
2022	\$298	\$176,391	\$117,779	\$294,170	\$13,021
2023	\$316	\$176,391	\$127,216	\$303,607	\$16,813
2024	\$335	\$176,391	\$136,425	\$312,816	\$20,833
2025	\$355	\$176,391	\$145,399	\$321,790	\$25,088
2026	\$375	\$176,391	\$154,131	\$330,522	\$29,585
2027	\$395	\$176,391	\$162,615	\$339,006	\$34,331
2028	\$417	\$176,391	\$170,842	\$347,233	\$39,333

There are drawbacks to using Married Filing Separately Tax Status, though I believe they are well worth the upside given the cost differences. These downsides include, but are not limited to:

- You're not able to contribute to ROTH IRA's.
- A variety of tax credits and deductions are either reduced or eliminated entirely, including:
 - American Opportunity Tax Credit is lost
 - Lifetime Learning Tax Credit is lost, student loan interest deduction is lost
 - Child Tax credit is cut in half
 - Student Loan Interest deduction is lost
 - Dependent Care Flexible Spending Account is reduced.
- [Read here for more information](#) on some of the drawbacks of using this tax filing status.