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THE \$OURCE

The Newsletter of Student Financial Services
Spring 2006 Edition

Managing Loan Repayment

You're on your way to a new career- and new financial challenges. It's time to update your budget based on your new post-graduate life. You'll have new sources of income, different types of expenses, and, very soon, you'll begin repaying your education loans. Make sure you include the following items in your new budget:

1. Your salary

How much you earn will play a major part in your new lifestyle and budget. When accepting a new job, you know this important information already. If you're still looking, make sure you keep your loan repayment in mind. You want to accept a position that lets you pay your bills, so it is helpful to research starting salaries for the occupations that you are considering. Contact Career Services, or find national average starting salaries online at www.truecareers.com.



2. Keep expenses in check

You have a new job and old expenses. What do you do? Start by temporarily cutting back on little things. You can always go back to the gym or reinstall cable TV after you get settled with your new job or when you get a better job with a better salary. You don't want to keep all these expenses and rack up debt. Small financial changes can save you big bucks and can prevent you from having to work off big debts.



When you start working, you're going to have new expenses such as a business wardrobe and transportation. Is public transportation an option or do you need a car? If you need a car, you'll need insurance, too. What about moving to a new apartment? Consider an area's cost of living if you plan to relocate after graduation. Try to make real life estimates of these new expenses when setting your budget. Remember to include things like rent and utilities, groceries, and entertainment.

3. Loan repayment

Be sure to attend the Exit Counseling sessions held by Student Financial Services to obtain the total amount of loan funds you have borrowed. A repayment calculator such as Nellie Mae's, www.nelliemae.com/calculators, can assist you in determining your monthly loan payment amount. You can also use this calculator to compare repayment options to determine what's best for you. If you receive a monetary gift for graduation or a signing bonus, prepay a

portion of your loans. Some loan holders reward borrowers for paying on time or electronically. Be sure to find out whether your loan holder offers programs that will save you money by reducing total interest expenses. If you have multiple loans to repay, you may be able to consolidate your loans, which will pay off your original loan and may reduce your loan interest rate.



4. Retirement—it's never too early to save

Pay yourself first. Most people can afford to put away \$20 a week—that's \$1,040 a year. Put it directly into a money market or savings account through direct deposit. This way, you'll have money for emergencies, unexpected expenses, or a start on retirement. Better yet, you won't have to resort to using a credit card and bother with the additional interest expense of paying over time. Also, your savings will earn interest, and that means more money for you.

Many employers provide some type of payroll savings plan where a specified amount is deducted from your paycheck. This is one of the easiest savings plans to stick to because you don't see the money so you're less likely to miss it. Put as much as you can into retirement plans because it's not taxed now.



Now's the time to take a crack at your new budget.

Use an online financial management tool, such as Nellie Mae's EDvisor, www.nelliemae.com/edvisor, to create a monthly budget. Your budget may be tighter than you thought- be sure to check out all loan repayment plan options. Some can significantly reduce the amount you pay each month while you start your career.



Education Tax Credits and Deductions

Be sure to take advantage of tax benefits that can help defray educational expenses if possible. The **Hope and Lifetime Learning Credits** can take the biggest bite out of your tax bill as they are deducted directly from the amount of taxes owed. The credits are "nonrefundable," meaning the amount of the credit cannot exceed the amount of taxes owed. The **Tuition and Fees and Student Loan Interest Deductions** reduce your taxable income, which may also reduce your tax bill. A family can claim multiple tax credits and deductions, but can only claim one per student each tax year. To be eligible

for the Credits or Tuition and Fees Deduction, taxpayers must report the amount of tuition and fees paid as well as the amount of scholarships, grant, and untaxed income used to pay tuition and fees. This information is sent by the University on a **1098-T statement** to taxpayers and the IRS. Information necessary to take the Student Loan Interest Deduction is sent by the loan lender on a 1098-E form.

The **Hope Credit** can be applied during the first two years of undergraduate post-secondary education only, to a maximum of \$1,500 (100% of the first \$1,000 and 50% of the second \$1,000 paid for qualified expenses). An eligible student must have been enrolled at least half-time in a degree or certificate program for at least one academic period in 2005. Graduate and professional-level programs are not eligible. The taxpayer must claim an eligible student as a dependent on the tax return, or the taxpayer must be the student or student's spouse. Taxpayers are not eligible for the credit if their modified AGI is \$53,000 or more (single filer) or \$107,000 or more (joint filers). The Hope Credit is reduced gradually for taxpayers with incomes between \$43,000 and \$53,000 (single) or \$87,000 and \$107,000 (joint). An **IRS form 8863** needs to be completed in order to claim the credit.

The **Lifetime Learning Credit** can be used for undergraduate, graduate, and professional degree courses. The amount of the credit is 20% of the first \$10,000 of qualified educational expenses paid for all eligible students (\$2,000 maximum credit), for an unlimited number of tax years. The credit can be claimed for the taxpayer, taxpayer's spouse, or any eligible dependents. The Lifetime Learning Credit modified AGI limits are the same as for the Hope Credit. These limits were increased by \$1,000 for single filers and \$2,000 for joint filers in 2005. Unlike the Hope Credit which is based on the number of dependents in a family, the Lifetime Learning Credit is family-based (\$2,000 per tax return). Again, an **IRS form 8863** will need to be filed to claim the credit.

The **Tuition and Fees Tax Deduction** is available to taxpayers who cannot claim either of the tax credits. It can reduce taxable income by as much as \$4,000, for tuition and fees required for attendance in at least one class at a postsecondary institution in 2005. Room and board, medical insurance, and transportation and personal expenses are not deductible. In order to be eligible to take the deduction, the taxpayer's modified AGI must be \$65,000 or less for single filers, or \$130,000 or less for joint filers. For taxpayers with a modified AGI above these limits, but less than \$80,000 (single) or \$16,000 (joint), the maximum Tuition and Fees Deduction that can be taken is \$2,000. Since the deduction is taken as an adjustment to income, the taxpayer is not required to file a Schedule A. To receive the deduction, the taxpayer must enter the qualified tuition and fee amount on Form 1040, line 34, or Form 1040A, line 19.

A **Student Loan Interest Deduction** of up to

\$2,500 can be taken by taxpayers who have paid interest in 2005 on a qualified student loan. The deduction cannot be taken if another taxpayer claims an exemption for you as a dependent, your filing status is married filing separately, or you are not legally obligated to make payments on the loan. Loans that qualify were used solely to pay for educational expenses. The expenses must have been for you or your spouse (ex. Stafford loans), or a person who was your dependent when you took out the loan (ex. PLUS loans). The student must also have been enrolled at least half-time in a degree or certificate program at an eligible institution. In order to be eligible to take the deduction, the taxpayer's modified AGI must be less than \$65,000 for single filers or less than \$130,000 for joint filers. The amount of the deduction is gradually reduced as your modified AGI increases from \$50,000 to \$65,000 (single), or \$105,000 to \$130,000 (joint). This deduction can continue to be taken until the loan is fully paid off. Similar to the Tuition and Fees Deduction, the taxpayer does not have to file a Schedule A to take the deduction. The taxpayer must enter the allowable amount on line 33 of form 1040, or line 18 of form 1040A.

For further information about the Taxpayer Relief Act of 1997 and Education Tax Credits and Deductions, see **IRS Publication 970, Tax Benefits for Education**. A taxpayer may want to consult a tax advisor with assistance in determining the appropriate amounts of tax credits and deductions.

How Do I Maintain My Merit Scholarship?

In which terms will I be awarded my scholarship?



Most merit scholarships are awarded for a total of eight academic semesters. This is true regardless of the length of your program (4 vs. 5 years). If you are participating in the co-op program, two of your half summer in-class terms will equal one full semester. As long as you are enrolled full-time, or between 12 and 16 credit hours, you will be eligible

to receive your per term disbursement amount for that semester.

Keep my GPA up and stay in school...

All merit scholarships have a minimum cumulative GPA requirement that is indicated on the scholarship contract you received when you were accepted to the University. Most of the scholarships require a minimum GPA of 3.0, but be sure to read your specific contract. Your GPA will not be reviewed until the end of the spring semester of your first year. Withdrawal from the University, whether by your choice or through University action, will result in forfeiture of the scholarship for all future semesters. If you need to leave

for a semester and think that you may want to return, you should speak to your Academic Advisor about taking a leave of absence; for example, in the case of a medical emergency.

If you require a leave of absence, you must have an exit interview with your financial aid counselor. Leaves of absence can be granted for up to one year, but must be approved by the Office of Student Financial Services. If your leave exceeds one year, you will forfeit your scholarship.

Oops, I had a tough semester!

It is understandable that in the course of your academic career, you will face some semesters with courses that are more difficult than others. Or, you may be enrolled in a particularly rigorous major. All scholarships allow you to have one probationary term. This is the next academic term after your GPA has fallen below the minimum requirement, in which you will still be awarded the scholarship funds. You will have this one term to bring your GPA back up above the minimum requirement.

If you are unable to increase your GPA during the probationary term, you will lose the scholarship in your next academic term. Once you are able to achieve the minimum GPA, your scholarship will be reinstated.

But, I have a really unique situation...

Unfortunately, there are times when circumstances beyond your control may prevent you from being able to focus fully on your studies. All scholarship recipients are able to appeal the loss of scholarship funds if they are faced with such a concern. Examples of situations that have been reviewed include a serious illness and a death in the family.

If you feel like you need the opportunity to better explain the reason why you were unable to maintain the minimum requirements on your scholarship, you can speak to your Financial Aid Counselor about writing a letter to the Scholarship Appeals Committee for review.

Meet the New Financial Aid Counselors



Last October, Student Financial Services had the pleasure of welcoming three new members to our team: Robyn Shahid-Bellot, Jonathan Santos Silva, and Tsana Dimanin.

Robyn Shahid-Bellot is new to SFS but not to NU. You may have previously seen her at the library, updating online databases in the non-print department. Prior to coming to NU, she worked for several years in the trading department at Investors Bank and Trust. A graduate of Suffolk, she has a joint degree in sociology and criminology/law.

Robyn's second full-time job is taking care of her two children, ages 13 and 3. Her hobbies include carpooling and play dates. She also manages to squeeze in some classroom time, as she is working on a Master's in Corporate and Organizational Communications through our School of Professional and Continuing Studies. Robyn says working with students is the most enjoyable part of her new position.

Jonathan Santos Silva loves Northeastern! We know this because after graduating in the spring of 2005, he returned to us following a summer job as a scheduling coordinator for Pepsi Bottling Group. As an entrepreneurship and marketing major, Jonathan was able to experience several influential co-op jobs, which have helped him to adjust to his full-time position here in SFS. He learned about the importance of work-life balance at TJX and about the ins and outs of managerial decision-making during the Fleet/Bank of America merger.

In his free time, Jonathan enjoys reading both novels and business literature. He also assists student groups on campus with special event planning. This spring he plans to attend classes in web design. Eventually, Jonathan hopes to obtain an MBA and open his own business. His dream job would be running the African American Institute at NU.

Like Robyn, Jonathan claims student interaction is his favorite part of working as a counselor. He says, "It keeps me in a college frame of mind. The young energy is always challenging you."

Tsana Dimanin came to NU from TERC, an Educational Research Center, where she worked as a project coordinator. Prior work experience also includes the Common Ground Sanctuary, a runaway shelter in her hometown of Detroit. She moved to Boston to attend BU, and then transferred to Emerson where she graduated in December of 2003. Tsana says she loves living in Boston, and even likes to shovel!

Tsana enjoys many hobbies, including playing the piano, the oboe, and the flute. She also likes to rollerblade and can often be found swimming over at Cabot during her lunch hour. In addition to reading, knitting, and sewing, she finds time to attend sign language classes and hopes to become an ASL interpreter. In the future, she wants to obtain a joint degree in social work and law.



Burning Questions... This newsletter is for you! Please feel free to let us know what **YOU** want to know... send an email to k.huse@neu.edu and we will be happy to have your questions answered in our next issue.