Speaker 1:	00:06	Hi everyone. Thanks for tuning into today's episode of Money Checkup where we take a deep dive into matters related to money, business and personal finance. I'm your host Anjali Jariwala CPA and Certified Financial Planner. Today I'm excited to have Travis from student loan planner. Travis, welcome to the podcast.
Travis:	00:32	Thanks for on.
Anjali:	00:33	So tell us about your background and story.
Travis:	00:36	Yeah, I used to be a bond trader, so I'm a recovering bond trader you could say. And I um, was really managing quite a bit of money with a group of people that manage some of the largest bond funds in the world. So it was really exciting. I learned a ton, I got access to so many tools and learn how to program at Excel. And then I met my now wife. I was really into the fire so I wanted to retire early, you know, at the early age in my mid twenties. And so then I met my wife and she was in the medical world and she had a lot of student loan debt. And so that was totally the opposite of anything I've ever thought about. Cause I got really lucky undergrad degree only, right? So I didn't have to take out a bunch of debt. I got scholarships. So that was like, okay, I'll figure this out. Right? This is something that that should be easy to do. And an excel spreadsheet, we can figure out how much we need to pay a month. And then I found out there was forgiveness options and there was all these different refinancing companies and just all these different things that made it a lot more complicated than like, should I invest or should I pay off my mortgage? Right, right. And so then I just started helping out friends. And then when I asked for permission to marry my wife for her dad, uh, he's first generation immigrant family and he was basically like, well, you don't have a stable income, so prove that you can have a stable income first and then you can have my blessing. And so I thought, oh shoot. So I decided I would you, I was basically just at that point I would just kind of writing and just kind of having a sabbatical from the corporate world. And I just decided, well, this is such a big need. I want to really focus on this full time instead of just as a, as a part time focus. And when I started to give it that full time focus, it really started taking off. And now we've got, you know, a three CFPs, uh, they work with us and, uh, we've got a bunch of writers that produced a bunch of content and we've got, you know, the student loan player podcast. And so, uh, yeah, so student loans, it's a, it's a big growth area unfortunately

Anjali:	02:19	it is. That kind of gets into my next question is for people who aren't really familiar with student loans in this country are, there is a lot of complexity around it, which I didn't even realize until I started looking at this for clients and you know, working with you as well. So can you talk about the complexity and, and why it is in, in our country and, and why someone like you can provide that added value for people who are overwhelmed with their student loan debt and don't know where to start.
Travis:	02:46	Sure. So, so the value that we provide might be severely diminished in the next couple of years. If Congress passes this new Higher Education Act Bill, which we can talk about that, it would basically reduce the number of repayment plans from nine to two. So if you have nine repayment, naturally there's going to be a lot of ways to optimize that and take advantage of things that people that aren't experts are not going to probably be able to figure out. Right? So with those nine different repayment plans, there's all kinds of complexities. So for example, one plan called the revised pay as you earn, or the repay plan has interest subsidies. So if you're going to eventually refinance, that's a great plan to use until you're ready to refinance because you can get your interest at least part of it covered while you're getting ready to go ahead and pull the trigger and get your lower interest rate and start making huge payments. Then there's other programs that allow you to file taxes separately. So income based repayment and pay as you earn are two examples of this, and if you file income taxes separately, if your spouse doesn't have loans is the typical reason you would do this, then you can exclude your spouse's income from the payment calculation. And then of course there's other programs like the standard tenure with, you're just paying it back as if it was a regular 10 year loan. And then there's other extended and graduated options that you could pay a lot less than the required 10 year standard payment, which I see a lot of people sometimes do if they're struggling with cashflow and they make actually quite a high income relative to their debt. So that's just a couple examples. And then you know, Congress is talking about a bill that would make it just a standard 10 year plan and a 10% of your income plan that would come out of your paycheck for 20 years. So that's what congress is discussing right now. Who knows if it's going to actually occur or what they will do. Most people expect grandfathering, but you know, it's, it's, it's going to be really interesting over the next few years. But yeah, the basically what's happened with a student loan system is kind of, it's kind of a little bit like the tax code or other kinds of legislation. They never eliminate old rules. They just make new ones. Right,

Anjali:	04:36	right. And it adds more and more complexity, which is what has happened to the tax code 50 to a hundred years.
Travis:	04:43	Exactly. So if you look at, you know, people in the nineties they had loans and some people could pay on based on your income, but it was extremely complicated than income. Contingent repayment was the only option. And as much as I've studied as many thousands of hours I put in to understanding student loans, the income contingent repayment program can still confuse me a little bit. And so this was a, this is a program that existed a long time ago in the 90s you know, that some people were able to use that. They were really struggling. And then the, you know, in 2007 that was the first big point where Congress really got involved in student loans, like really heavily in Congress has been involved for a long time. But that's when they basically said like, we're going to get super involved. So they passed the public service loan forgiveness program, then they passed income based repayment and that broaden the pool of forgiveness and income based repayment, forgiveness options to a much, much wider audience than ever before. And then in 2013 they introduced a pay as you earn and then 2016 they introduced revised pay as you earn. And so all of these options have just been additive, right? And so you have these loan programs before 2010 you know the program was basically bank issued loans guaranteed by the government after 2010 the default program is the direct program, which is government issuing loans directly to the person and the government is the lender directly. And so then those are two different kinds of loans. And if they reauthorize the higher education act, that's probably going to be another kind of loan. So now then we would have three different kinds of loans that people could potentially have if they've been going back to school during different timeframes. And that's not even to talk about parent plus loans, that you have to basically consolidate them into a special kind of consolidation loan if you wanted to get it on an income driven option to pay that kind of loan back. Right. So it's just, it just a classic case of like in America, you know, I guess my, my thought on it is that we, we can never agree to do things completely based on the free market and we can never agree to do things like Europe and have it be completely a government run program. And so he just loved creating these super inefficient, really complicated things in between. So that's, that's kind of a thing where we're at.
Anjali:	06:43	Got It. Okay. So you had a lot of good stuff in here that I want to dissect in bed. So we will talk about public service loan forgiveness and then the regular forgiveness as well after 25 years. But will you walk through the calculation or just very high

level as to why this married filing separate versus the joint income would make a difference when it comes to your student loan repayment amount?

Travis:	[07:07]()	Sure. So the, the simple example would be two teachers that have $50,000 incomes that both live in a state like New York and one of them has 100,000 of student loan debt and one of them doesn't. So that teacher could pay on the pay as you earn program, probably around $300 a month if they did married filing separate or they could do 600 a month if they fit filed married filing joint, you know, listeners will know that that's not exactly 10% of their incomes. It's because you take your income and you get a big deduction first and then they take 10% and then they divide it by 12 so that's why it's not quite, you know what you'd kind of think of like 10% of a month and came there. Right. So is, so say it's like $300 a month if you're filing married, filing separate or 600 a month. If you're married filing joint, well naturally if you're doing married filing separate, that's $3,600 a year that you're saving. If you're going for a loan forgiveness option that's going to pay your loans off tax free. Right. And so the what you would look at as you talk to, you know, a CPA or, or even turbo tax, he'd put it in and you see, well what if I toggle between married filing, joint married, filing separate? What kind of penalty do I see? So for those kind of teachers that we're talking about, the, the main penalty because their incomes are pretty similar is just simply going to be losing the student loan interest deduction. But he'd probably be my main prediction for that couple.
Anjali:	[08:21]()	Yeah. Usually the married filing separately, tax rates are also not as favorable as you get. The tax brackets are a little bit different. So that's why it's important as you mentioned, either have a CPA look at it or make sure you run in both ways through your tax filing system, just so you know exactly what the cost and the trade offs are going to be in, whether that type of filing status makes sense.
Travis:	[08:42]()	Yeah. And the thing that we've kind of found over time is, I mean, you know this as a CPA, but like the greater the difference in the incomes when you do married filing separately, the greater the penalty typically, right? Yeah. Because they just basically put the higher income earner into a more aggressive bracket sooner. Correct. But you know, if you make about the same income, then you might say like, okay, worst case we're losing like maybe seven or 800 bucks of student loan interest deduction. Maybe it's only like 500 or something. Uh, in terms of the actual value of that. And so you're saying, okay, well save $300 a month in payments, lose

like 40 or 50 bucks a month in taxes. That's an, that's a positive decision to do that. And so you file separately, you do pay as you learn, and then there's a lot more complications on top of that. For example, one thing we mentioned before we started recording was the fact that you're registered in California and Texas, which are to community property states. So this has been really interesting because you can use your tax returns to certify your income, right? This is legal and encouraged for people to use their tax returns. So that means that it matters what your Agi is. And so if you think about ways to legally manipulate your Agi, and I say manipulate, you know, in the sense of you know, just doing things like contributing to retirement accounts or having depreciation from a business that you own. Those are very legitimate ways. One way that seems to be a legitimate, based on the rules as this thing I called the breadwinner loophole and the reverse breadwinner loophole. So this is really only applicable to someone in a community property state like Texas and California. But it's my understanding, and you know, please correct me if I'm, if I'm wrong, but that in a community property state you can equally divide income on a federal return, right?

Anjali: [10:22] Correct. That's what you're required to do when you're doing married filing separately because in a community property state it's, you're deemed that, each spouse, one spouse to earns income and assets equally. So, which is a great example because if you have spouse, one earning 500,000 spouse two earning 100,000 that's a combined income of 600 but if they were married filing separately, they would split it. So it'd be 300 k a piece.

Travis: [10:49] So what's, what's really astonishing to me is I've talked to several CPAs the past several months and they say that they're finding CPAs that are making mistakes frequently with the married filing, separate distribution of income and community property states, and they're creating penalties on, there shouldn't be penalties because they're filing the returns wrong, which is interesting. I was really shocked when I heard that and they, you know, and even maybe kind of second guessed my advice in this area, but I consulted with a lot more people and I felt pretty confident in after talking to some more people that were more knowledgeable. And so I think that what's happening is there's almost never a scenario where filing separate saves you money in a pure tax perspective. Right, right. So, so if you're a CPA and you're trying to minimize someone's taxes, you're obviously not going to know as a CPA, you know all the intricacies of student loan rules because they're just super complicated. Just like I don't know all the intricacies of, of taxes I'm not even close. So what's, what's interesting there is I think that they file separately, but they don't really pay attention a lot to the rules very much because they don't have to do it for very many people. Right. And what's, what's kind of interesting with this ability to file separately and these community property states and equalize income as you can get a lot of situations where, you know, say you have a case where you have a orthodontist, you know, in a very high income level and he's married to a stay at home spouse, right? And that spouse makes a no income. And so if you file separately, you can equally distribute that income. So say they're making 500,000 and they have 600,000 of student loan debt. So that would normally be a refinancing scenario. But if you can equally distribute the income, the tax penalty for married filing separate, it should be pretty negligible because you equalize the incomes. And then also you're able to use a 250 k number for your Agi for paying your student loans instead of 500 and so that really is quite an amazing opportunity for, for student loan planning because you can reduce someone's payment by half and turn a refinancing scenario into a very clear forgiveness scenario. So that's, that's the breadwinner loophole. And then the reverse breadwinner loophole is what if you have a teacher married to a dentist and the dentist's say has no student loan debt because they paid it off or something and the teacher's got a hundred grand. So if they filed taxes separately, the teacher might not even be eligible for income based repayment options because they make too much money because of this equal distribution of income. So then what you can do is use alternative documentation of income and then basically submit pay stubs instead of the tax returns. And then you can actually qualify for, you know, an income driven payment option that way. And so that's the reverse breadwinner loophole. So I sometimes I've had people legitimately asked me the question like, how the heck can you get it both ways. And you know, that's, that's a great question. I think that this is not nearly as aggressive as a lot of the things that I hear people do that I do, I do feel are very not okay to do. I have, I have a lot of people that are checking the box, like they can't access their spouse's income. And um, I think that's such a bad idea. And that's really only intended for people who are like truly, they have no idea where their spouses and they're getting divorced or separated or they're in a domestic violence situation and they just like, it's too dangerous for them to like communicate with their spouse or something. And yet a lot of people are checking this box because they're on the rebate program. They, you know, they hit, you're supposed to include your spouse's income no matter what. They don't want to include it because they would have to pay more money. And so they're just, you know, they call a, you know, a navy at representative or somebody and they're like, oh yeah, just check this box. And we know that they, they don't actually look at the spouse's income. You know, if you check this box, I'll be okay. And so they're doing this and that's, that's a really bad idea. I think if you're filing joint, obviously you have access to your spouse's income cause you do married filing joint, it's gotta be on the same return. Right. You know, so, so if you're filing joint, like obviously that would be a very foolish, you know, thing to do I think, cause you could get in big trouble because it's under penalty of perjury when you sign that stuff. Right. So, you know, when you're submitting alternative documentation of income, you're simply saying that we all might, my actual income is technically different from my tax return shows. And this is the alternative documentation, which is my pay stubs. There's nothing, you know, untruthful about that. And then with the, you know, doing the breadwinner loophole and if you're making more money, you're just giving them your tax returns. You're not necessarily saying, this is my income. You really saying, if you look at the form, it says like, you know, what is your adjusted gross income? Right. Right. So, so, and, and then have that adjusted gross incomes, not representative of your income. You can challenge it. So that to me leaves the option to gain the roles both ways now and a lot of these loopholes will they last longterm? Gosh, that's a, that's a great question. You know, and, and you know, we could talk more about this, but, but I think the, the history of government programs is grandfathering. They always tend to, you know, leave the people that are soon to be affected out of these big changes and they change the rules for future generations or future people. Right. And so that's, that's what my baseline expectation is. I think that, you know, if you have a new repayment program, I think it's more likely that that program would be better for the majority of people than worse.

Anjali: 15:59

Let's hope. No, those are all really great points. And also how, you know, the tax code system works. I mean we saw that with it. The tax law changes or that went through a lot of the adjustments. They grandfathered in a handful of the things like the mortgage interest deduction and same thing with the deductability of alimony payments. So they, they grandfather the people who already had those things settled, which is good. And then you know, making their changes going forward. So it, just to summarize a few of the things you said because you made such great points and um, really great planning techniques that people should think about or utilize someone like you to help them decide is when you're on an income based repayment plan, you have to provide income verification, which is what you are talking about. And that's usually done yearly. Are there situations in which you can do the income verification off cycle? So is there a planning opportunities around then? So if someone's in residency about to start a new job or you know, they've started a job and that income is going to drop because I've had a few situations where we've had clients who have children and the wife decides that she's going to take the next year off and they're on either repay or pay. So when we've done something where we did income verification to show through the pay stub that she's no longer going to be making that same amount of income because now she's taking time off. So can you talk through that a little bit more?

Travis: [17:20] Sure. So again, this is difficult because the, the, the Department of Education is not the IRS, even though they're kind of almost being asked to act like the IRS, right. And certainly Fedloan is a very far cry from the global sophistication of the IRS. So like people could try to come up with loopholes all the time for IRS rules. And the IRS has got some sophisticated people there that issue directives, right? So like for example, there was a lot of efforts to get around the new limit on state and local taxes by a lot of higher tax states by creating these really complex rules. And the IRS issued a letter saying, Hey, this is not, you know, allowable. Right? And so unfortunately the Department of Education and, and servicing do not have that same level of, of sophistication. And so there's a lot of things that we just don't have great information on as to whether or not, you know, this is a totally okay, you know, blessed kosher thing to do versus not. But this is what I think that the consensus opinion is, the consensus opinion is whenever you have a drop in income, you're allowed to recertify your income driven repayment immediately. So you can call your service or and say, I had a decline in my income, I want to recalculate my payment and you're allowed to submit some sort of proof. That proof can literally be you signing a sworn piece of paper that you had a decline in income. And it doesn't have to be iron clad proof because it is under penalty of perjury. That's why they're allowed to do that. And then for if your income goes up, all of the main policy makers and key people have pretty much confirmed that you have to certify once a year. And other words you must certify once a year. You are not required to recertify if your income goes up because you're required to do it at least once a year. Right now if it's advantageous for you to recertify cause your income fell, you are allowed to recalculate your income. And I suppose you're allowed to recalculate your income if your income goes up. But it would obviously be very foolish to do that. Right? Yeah. So I think that there is a planning opportunity and I do think that whenever your income declines, you're allowed to, you're allowed to update it. And the thing is is federal policy is really a broad brush kind of policy. It's not really built for every case. They don't think that deeply about this stuff before they pass it. So, for example, I had a case recently where the spouse had an equity event and the spouse or liquidity event, I mean, and this and the spouse had a, you know, several hundred thousand dollars of capital gains that wasn't going to persist. And they were concerned about having to pay, you know, four or five, $6,000 a month on a repay type program. Uh, you know, until the new tax attorney came out. And so I simply said, you know, if you think about it, y'all, like if you make one payment under this plan, I think you should make at least one payment under the plan because it was income at a specific time. You could then basically call your loan servicer and simply say, hey, the business is sold. You know, interesting, right? We don't have this business income anymore. Our income changed. Our income is now not this level. It's different where he's not working anymore. So now our income is x instead. And I think, you know, my opinion, I think this is defendable and the rules, because you know, the income did change. It's no longer this super high level, right? Because again, you're allowed to recertify whenever you want, but you're only required to certify at least once a year. So based off of that kind of interpretation, I think that's, that's completely okay to do. I think if you want to feel super comfortable, you might keep the payment for two or three months instead of one month. But yeah, I think as long as you make at least one payment with this reflecting this new income, I think you can justify like, hey, you know, our income changed.

Anjali:	20:58	Right. So then would you just recommend like submitting pay stubs going forward so that the tax return isn't pulled to show that large amount of, of potential capital gain from the sale of the business?
Travis:	21:11	Well, yeah. So if you're, if you're saying that my income now is not going to be what my tax returns showing, then you want to be using an alternative documentation source of income, like pay stubs. Right, right. But one thing that gets people in trouble, and I see this particularly with business owners, is they all get a little bit too aggressive for their own safety, I think. And they'll try to basically do s corporations and they'll only submit their w two pay stubs and got it. And that's, that's not technically legal because it's very clear on those forms that they want to know about all of your taxable income. And there's lots of ways you can gain the system by showing all your taxable income of course. But you have to have all taxable income declared. So if you're going off of just your w two wages and you have a bunch

of K-1 distributions that are giving you a hundred thousand 200,000 of income that you're basically severely under reporting for your income driven repayment calculation. And the thing is is you know, when you eventually have your loans forgiven, you know, for the first big group of people, nobody will even notice because the federal government, such a big organization. Right, right. And so, so there's a lot of reasons for this, but 2024 is going to be the first gigantic PSLF wave for physicians. It's the first year that a giant wave of positions would get PSLF. And when that, when that happens, there's going to be a lot of negative headlines and it's going to be a little uncomfortable at times to be a physician because you're going to get a lot of really angry people, probably just having some pretty upset opinions, um, that, you know, a neurosurgeon's getting 500 or 600,000 of loans forgiven. But meanwhile, this veterinarian or this teacher over here struggling to navigate the system and made a bunch of mistakes with her loans at can't, you know, even make ends meet, right? Right. So there's going to be those kind of headlines and what's going to probably happen is there's probably going to be audits, so basically fed loan and the Department of Education or being asked to be an IRS like agency. So that will eventually happen, but they have no experience doing it. So I think eventually you're going to see them do audits of people and when they do eventually do audits, I don't think you want to be the most aggressive person out there with the techniques that you're using

Anjali: 23:21 right now. That's such great points. And something I didn't think about. Right. And it, and it's unfortunate if, if that department ends up being similar to the IRS, but I mean that just might be a, the way that that to moving, especially it cause public service loan forgiveness seems to, to already have some hostility toward it just within the media currently. And we haven't seen that many people get it so far since when did that program start again?

Travis: 23:49 2007 yeah. But, but, but a lot of people ask me all the time, they're like, Travis, why haven't I heard any physicians getting this? This thing must not be real, you know, unless you can tell me if a physician case that you've had, I just don't think that I can put any, any certainty in PSLF. And so there's some really specific reasons why that's the case. So you know, this program was very inaccessible prior to 2010 so prior to 2010 you had to know exactly how to consolidate your loans perfectly to get on to this program. So unless you were a daily reader of physician, personal finance blogs, or had an extremely sophisticated financial planner that knew way, way more than you could even expect someone to know because it was such the wild west back then, then you know it's, it's very rare and unlikely that you're able to get on PSLF prior to 2010 you need 10 years of credit to get public service loan forgiveness, tax-free, wiping your balance away. So 2010 add 10 years, that's 2020 so that's, and the reason I say that is because direct loans became the default issuance in 2010 before that, I was the FFE alone program, which was not eligible for loan forgiveness hundred PSLF. Right, right,

Anjali:	[25:02]()	right. That was a mistake we made, which I didn't know at the time because I wasn't in this field. You know, I was still working as a CPA, but my husband, it was in that timeframe and it was FFE l you did residency training. He worked for the Va and an academic hospital, which is all eligible for public service loan forgiveness. And then I transition, you know, and financial planning and started learning about this and then realize that if we had consolidated his into a direct loan, we would have been eligible in, his loans would have probably been paid off because he had already had nine years by then. And so it's frustrating for me when we make that payment every month. I cringe because I was like, if I had known, but you're right, I, I feel like at that time we had no idea. And the fact that you, you would have to consolidate into a specific type of loan to be eligible is also a little frustrating. Why not just make it eligible for all, but it's little mistakes that we personally have made that I realized because this is so complex and there at the time even there wasn't that many people who really knew how to navigate the system.
Travis:	[26:03]()	Yeah. And, and I just want to see like a lot of people won't, won't like me saying this, but the public service loan forgiveness program as a patently unfair program and it, and it just, it absolutely has to change because if you think about it from a public policy standpoint, there's no reason why you would reward someone for working at a, basically for all intensive purposes, a for profit practice that just happens to be at a 501c3 hospital versus somebody who's in a rural area like doing primary care, that's things to have a private practice, right? Like there's no difference in what the person's actually doing. Like somebody who's a, you know, an IT programmer for, you know, some sort of giant, you know, hospital system versus somebody the street that works at a, you know, a private kind of business that's, you know, in a different kind of area in the same industry. Like those people are doing the same job function. So why, why does one get giant loan forgiveness? A one does it, why does one physician get it and one doesn't? And another interesting question is like why do physicians get it and not

dentists? Because dentists are not set up with their profession to have plentiful 501c3 job opportunities. So,

Anjali: [27:07] and their student loan balances are usually comparable to a physicians balance. At least what I've seen.

Travis: [27:12] Exactly. So, so if you think about it, the the fair way to do it would be to just make it a more straight forward program and have it be applicable to people that, you know, maybe maybe you get a scholarship or something like that in exchange for a certain number of years of service and doing something or you know, maybe all physicians should get it instead of only a co you know, only people in certain areas. Right. But it's just a, it's just an extremely poorly designed program that Congress put together probably under like heavy lobbying interests from certain groups is my guests like, you know, I wouldn't be too shocked if the, you know, cause physician groups are pretty sophisticated so maybe, you know, the physician groups were pretty smart about how they got everything included into PSLF and maybe dentists weren't or something. And there are professional organizations, I don't know. But the, the fact that the program is so structurally unfair, pretty much guarantees that it's going to change. The thing is, is, you know, if you listened to Republicans, they want to grandfather everyone that's currently going for it in to the program and not affect it. And then future borrowers would be shut out from it. But what's cool is that if you're currently in a program, you know, say you're already in your first year of med school, you would be eligible for PSLF like that. That's all the proposals that Republicans have ever put forward, which is, which is good because then you'd have people that are going to med school without the promise of PSLF explicitly, which you know is what you would want from a fairness perspective for people to know that and then, and the people already have that have committed their lives to doing this would have that promise. So that's, that's good. That's, and that's one of the more extreme proposals and in the Democrats' proposals basically like, well yeah, it's an unfair programs, let's just expand it. Right. So right. What's interesting is you know, California and Texas to pick on those two states. Again, they have these weird, weird laws that physicians have a hard time being employed directly by hospital system,

Anjali: [29:01] correct? Correct. That's what I was going to bring up that point that most of that, at least most of the ones I've seen, it's, it's a physician group that's employed by the hospital. Then since you're employed by the physician group, that physician group group is not a 501c3 even if you're pretty much working at the hospital. That's a 501c3 and I've actually started to see that more and more just because I work with clients across all 50 states. That's now the model that I see more consistently than someone being directly employed by the hospital itself.

Travis: 29:30 And what's interesting about that is that if you look at the intent of congress and what could be coming down the pipeline, the aim higher act, which is the Democrats, House Democrats proposal for reauthorizing the Higher Education Act, did they put forward before they won the election? Did that act specifically says that they would expand PSLF so that it would cover all those physicians that happen to be employed in California, Texas at places like that. Interesting. So, so for that reason, you know, because that's a stated goal of these, um, you know, representatives, I actually told this couple recently that was probably a refinancing case to just do the repay program for at least one more year, just to see what will happen with legislation. Because if you refinance is game over, you cannot write. And so worst case scenario, I told them you'd lose out in about $800 a month in interest, which is, you know, which is a lot, but it's, it's actually pales in comparison to how much they would save if that bill got passed and suddenly all these for profit position groups would be able to, uh, utilize ps left as well. So, you know, in terms of, of the lobbying aspect of this, if you got a ton of debt and you're, you know, working at Kaiser Permanente in California,

Anjali: 30:41 which is where my husband works,

Travis: 30:43 right? Yeah. So you'd call up your, you know, you'd call up your congress person and your senators and basically say, hey, you know, getting us in the bill is super important for me and know is it great public policy? Probably not. But Hey, you know, if, if it could save you $500,000 and the government's just handing out money like a drunk sailor, you know, they might as well cover, you know, what you're doing since it's in the same spirit as the people who are getting access to this program. Right. Because in fairness the program probably should either be ended or expanded. It probably is one of the two. So you know, I think that that's really kind of interesting cause if you have that expanded then so many more people would be eligible for it and then you have an even bigger reason to, you know, make sure you have everything optimized to go for the program. So, and it also, you know, me and my wife, we had a similar story to you all because my wife's a physician and she had the same problem where she should've had like seven or eight years of PSLF credit and said she had one and a half or something like that because the mess ups.

Anjali:	[31:38]	Yeah I know. And it's so unfortunate. I mean we're lucky cause my husband, generation of physicians, they don't have the same level of debt is like the newer physicians are coming out with. But it's still there. It's still a payment that we'll be making for a while, but it is what it is. So let's, let's talk, since we've been talking about public service loan forgiveness, let's kind of go through some of the nuances. So like for someone in training, let's say like residency fellowship, which payment plan usually makes sense if someone's pursuing public service loan forgiveness,
Travis:	[32:07]	you know, I would say as a general rule, if you're married filing separately and doing the pay issue are in plan. If your spouse has no debt often makes a lot of sense. You know, the, the tax penalties, you know, are generally not as high as the savings. I'll say that if you're in residency fellowship, then you both have debt and you're, maybe you're married to another physician, then the revised pays you're in program typically makes the most sense. And uh, people are freaked out that repay doesn't have a cap on payments like the other programs do. But realistically, most people don't ever get close to that cap, especially as residents and fellows. So it's not really something to worry about too much and you keep the interest subsidies that you can use if you end up going private practice instead. So I would say that people that think they might want to go into private practice, we'd probably be better off on the the repay plan and people that are just dead set on an academic or 501c3 year government type medical career. Uh, those folks would probably be better served with the pay as you are in plan to have max flexibility on filing taxes.
Anjali:	[33:07]	Okay. No that's, that's great cause I, when I've presented at residency programs that usually want in the questions I get is which one makes sense? And you can't really switch that easily from repay to pay. Correct. Or vice versa because you need partial financial hardship in order to do so.
Travis:	[33:25]	Well you can switch, it's just an unpleasant experience. It's just, you know, you're going to have a partial financial hardship even when you're an attending in most cases because they're asking is your pay as you earn or revised pay as you were in payment lower than the 10 year standard payment. And if it is that you have a partial financial hardship regardless if you're making 400,000 or 40,000 so that's, you know, partial financial hardship doesn't mean you're, you're hurting and just, you know, yeah. I mean it's just, it's very confusing words. Right, right. So, yeah, so, so basically I would say that, you know, most people are going to have a partial financial hardship for the duration of

their career. The people who don't because you maybe your, you know, urologist, right? And you're making, I don't know, three fifty, 400 k and you only have 200 k medical school debt, then it's real important if you think you're going to go for loan forgiveness to be on one of those kept plans because then your payment plan just gets capped out at the 10 year standard amount. And then you can just ride that off into the sunset, paying your 10 year standard plan amount, and then whatever balance is remaining should still get forgiven. So that's a big mistake that people will switch to repay because they'll listen to some, no offense to them. But you know, one of these representatives at the loan servicer companies that get paid, you know, 15 $20 an hour that you can't trust that skill level for objective advice and what you should do with a very complex problem. Right, right. So a lot of people do. And one example of problems that you know that happen is they'll switch to repay because the script that they give all the phone rep says switch to repay and then they'll switch and they won't have a partial financial hardship anymore because that three or 400 k income puts them above the 10 year standard cap with your payment. And then once you no longer have a hardship, you can't switch back. And what's interesting is when you consolidate loans, the ten year standard plan is actually eliminated and it doesn't exist anymore. So the only way you can get capped payments is if you can be on one of those income driven plans, like Ibr or pay initially. And then you hit the cap and you can just remain on those plans. But then you know if you, if you consolidate it, you cannot get back onto the standard 10 year plan and have it count unless you happen to have the partial financial hardship in the first place in the payment just got capped out.

Anjali: 35:38 Got It. And so let's switch gears and talk about private refinancing. So based on all the work that you do, when do you think private refinancing makes sense?

Travis: 35:49 Good question. I think that you need to have an emergency fund first and I think that you need to be very certain that you're going to be in in non qualifying job for your career. And then if you can confidently say those two things, then go ahead and refinance. Especially if your debt to income ratio is comfortably below one and a half to one. I tell people that have debt to income ratios above two to one that they probably need to be going for the regular non PSLF version of loan forgiveness called income driven loan forgiveness. And that's the one that's, instead of 10 years, you're paying on the same plans, but you're paying 20 to 25 years and you're having to pay income taxes and the forgiven balance. Right. And uh, and that, and that is a great plan by the way, for a lot of primary care and pediatrician and you know, family doctor kind of folks. Uh, because a lot of physicians these days are going through osteopathic medical schools because that's where the growth in the number of seats is really happening. And these osteopathic schools typically steer people into lower paying specialties because it's a little bit harder to get the orthopedic surgery and neurosurgery and the, you know, urology type residency placements from, from osteopathic schools versus allopathic schools. And then, you know, you're, you're struggling to get the high enough income to pay back your loans very easily in a accomplish all the other financial goals you want to do. So most physician blogs kind of just trumpet like PSLF refinance. It's easy and it's actually not easy.

Anjali:	37:16	Yeah, no, those are all really, really good points. And you know, once you go private refinancing, you lose some of the protections that you get with your federal loans, right? Like you don't have the same type of forbearance in deferment type provisions. Those loans are not forgiven upon death. So usually for some of my clients where we go private refinancing about, wait, I kind of back it up with I with it, generous life insurance policy to make sure that if, if that spouse passes that can be paid off quickly without putting a burden on the other person. So there is a lot of complexity and and navigate on on that respect. And for the one you, you talked about where after 25 years, you know the loan is forgiven but you have to pay taxes to do so I have a few clients that are on that and we actually are saving for the tax bill now because for people who are on that program, once a loan is forgiven, it pops up on your tax return. You're not going to get any notice of it. So you better know when that bill is coming and that bill can be fairly sizable. So depending on how large that loan balances, we're putting money away now because we have to, to be able to fund that. And that, that option still makes more sense than trying to pay off the loan balance that's as large as it currently is.
Travis:	38:23	Can I say a dirty little secret about what I think's going to happen with the tax bomb? Sure. I don't think anybody's going to pay it. Right. I don't think very many people are gonna pay it.
Anjali:	38:32	So how will that work though?
Travis:	38:33	I think that the first couple thousand people will pay it and they'll get so upset and emotional about it that they'll call all of their congress people and they'll just like scream into the phones or, you know, into the Amazon Echos or like however we communicate with our Congress people 20 years from now, you know? Right. And, uh, you know, they'll, they'll just like

flood the Instagram stories, you know, and, and tag all their congress people and they'll just be beginning, inundated, you know, an Instagram, I'm just kidding. But like, you know, they're going to be contacted like out the Wazoo by people that are very savvy about getting in contact with their elected officials versus maybe lower income people that aren't. And so they're going to get flooded with these requests. They're going to say, Hey, I did my job, I paid my payments for 20 to 25 years. Like Congress wanted me to and what does this tax bomb like nobody ever told me there was this big tax bomb. Right, right. You know, and, and I think that that argument is maybe very persuasive from a political standpoint because it's probably not that expensive to write that off compared to like expanding medicare or expanding social security or something like that. Right, right. So, you know, from a, from a bargaining perspective with other more conservative members that don't want to have huge spending, you know, you could probably just say, hey, you know, I know you're not going to give me, you know, social security levels that I want. So how about we just do this tax bomb thing cause it's affecting highly engaged constituents that we, neither one of us want to get upset at us. So I could see that going away in some sort of future legislation or I could at least see them offering a new kind of income driven plan that might be like for a longer period or something with no tax bomb. And then I think that people might have a way out of that. But, but I never want people to know that, which I'm a terrible person for even saying this. But uh, you know, cause I don't want to undermine anybody doing this. Cause it's very important that you do it because you want to be prepared for it. Like anything in financial planning, like you want to be prepared and at that you don't need it. Awesome.

Anjali: [40:20](40:20) Right? And it's an account that's going to be invested. So it's kind of like their side pool of money. So then they just get an extra lump of money at the end of it. But that's all really interesting because just to wear the CPA hat, we're always taught that we have to plan for what the current law is because we just have no idea what's going to happen in the future, which time and time again has shown that. So we always just plan currently and we plan for whatever the tax law currently says and then we just don't worry about what's going to happen in the future unless there's like a bill looming where we have some insight into that. So your perspective is, is really interesting and so I think I'll still have clients say for it, but that's, that's good to know. I hope you're right when, when that happens. Okay. So do you have some high level tips for people who have student loan debt or maybe her starting a something where they're going to start accumulating student loan debt?

Like they're starting med school or they're starting residency and best ways to tackle it or keep the burden small if possible.

Travis: [41:15] Yeah. So maybe see if you can defer for a year and go travel around Europe for a year, you know, before you go and make sure that you still want to go. So I mean honestly like a lot of people are kinda just like family pressured into occupations, you know, and a, it's something that, you know, if you do medical school, like it's a huge commitment. It's a, you know, 10 year commitment just to make any money at all. Right? Right. Uh, and so that might be something that you just have been doing just cause it's like a good path that like stop and think. So that's my first step, stop and think. Make sure this is what you want to do and that you would do it if incomes in your field where like 50% lower. And if the answer is yes, you picked the right field and next look at the different programs and go to the absolute cheapest one that you can get into the, the quality of the program these days, does it really matter? Because the most competitive students are going to the cheapest programs and professional schools right? So that's one thing that's very different from undergrad where you know there's all these us news rankings, like in med school, the cheapest ones the best, right? So you know, unless it's like Harvard medical school or something. So go go to the cheapest place and then when you come out, you know, get a plan, know exactly what you're going to do. A lot of free stuff out there like Student Loan planners blog that you can read and your podcast and student loan planner podcast. There's all these different things out there, you know, that you can do if you're, if you're broke, you know you don't have any money to spend on professional help and if you're not broke then you know, you could work with folks, you know, CPA, CFP, CFA type folks that know this stuff and that will make sure that you optimize everything.

Anjali: [42:51] Yeah, no, those are great points. The other one that I've seen come up a lot is people not realizing the student loan burden. And when you're in med school you kind of get like this quote unquote free pool that you can take money anytime you need. And that balance ends up being pretty sizable, so there's also a piece to it where it be be thoughtful in terms of how much loans you take out and try to take out only what you absolutely need and don't take out anymore because if you're, if you're not on a payment plan where your interest is subsidized or partly subsidized, all of that interest capitalizes meaning against added to your loan balance. So usually most people coming out of training have a loan balance that's higher than when they first started and and that can be sizable if we're looking at five to 10 years out. So I have clients who who's severely regretted doing that and now they're paying that price because of that really high student loan payment balance side they're trying to tackle.

Travis: 43:44 Yeah. Here's, here's a good rule of thumb. Take care of, take the cost of attendance. The four years summed up cost of attendance, estimate that the financial aid places are required to post on their websites. Multiply that by 1.25 that's going to be what you're going to graduate with med school in debt at least. Probably because of the cost of attendance. Never takes into account interest origination fees or tuition inflation. Then take that number and multiply it again by 1.25 and that's what you're going to leave training with.

Anjali: 44:13 That's a great rule of thumb. I love that. So everyone listening to this, make sure you're doing that calculation and then look at that balance and see is that something that is going to work longterm for you in terms of reaching other goals cause it does have somewhat of an impediment if that balance is really high. Well this was great. Travis, tell our how they can learn more about you.

Travis: 44:32 Yeah, just check out studentloanplanner.com if you go to our blog, there's tons of stuff specific to your profession. If you look in the categories on the, on the sidebar and desktop or in the very bottom on mobile, you know you'll see those. So I would read all that stuff first. And then if you want to reach out to us, help@studentloanplanner.com one of our folks will reach out and you just tell us about yourself and we'll tell you what, what next steps we think or to do or not to do. And then, yeah, and also we have the on the student loan planner podcast. If you love listening to ridiculous student loan stories, then you'll love that.

Anjali: 45:02 That's great. And all of that information will also be in the show notes. Thanks, Travis. Thanks for tuning in today. If you're interested in making better financial decisions and are considering working with the professional, please visit us www.fitadvisors.com to schedule a free initial consultation.