

The reality of borrowing: you have to pay it back

if you borrow money, here's the bottom line when it comes time to pay it back.

Size of Student Loan	\$10,000	\$15,000	\$25,000
Monthly payment* (for 5 yrs)	\$180	\$270	\$450
Interest paid over 5 yrs	\$781	\$1,172	\$1,953
Monthly payment* (for 10 yrs)	\$97	\$145	\$241
Interest paid over 10 yrs	\$1,587	\$2,381	\$3,968

*Assumes an interest rate of 3 per cent

You have to decide what kind of monthly payments you can handle and how long you take to pay back the whole thing. Here's how two students handled their loan repayment.

Connie

Connie got a great job right after graduation working as a registered nurse. With a starting salary of \$53,000 per year, she thought she had it made. She rented a great apartment and leased a brand new sport utility vehicle. After working hard at school, she was ready to enjoy the good life. Only one thing stopped her — student loans totaling more than \$25,000. Rent, car payments and her student loan payment left her with almost no disposable income. As a result, she decided to make smaller monthly student loan payments over a longer period of time, even though, over the long term, she'll end up paying more interest on her loan.

Rachid

After graduation, Rachid took a position in his field, but with a lower salary than he hoped for at \$45,000 a year. His first priority after graduation was to pay off his \$9,500 student loan, so he chose to continue living with three roommates to keep his expenses down. Even though he wasn't making a lot of money, Rachid made payments of \$330 each month on his student loan and paid it off in two-and-a-half years.

[RETURN TO INDEX]

