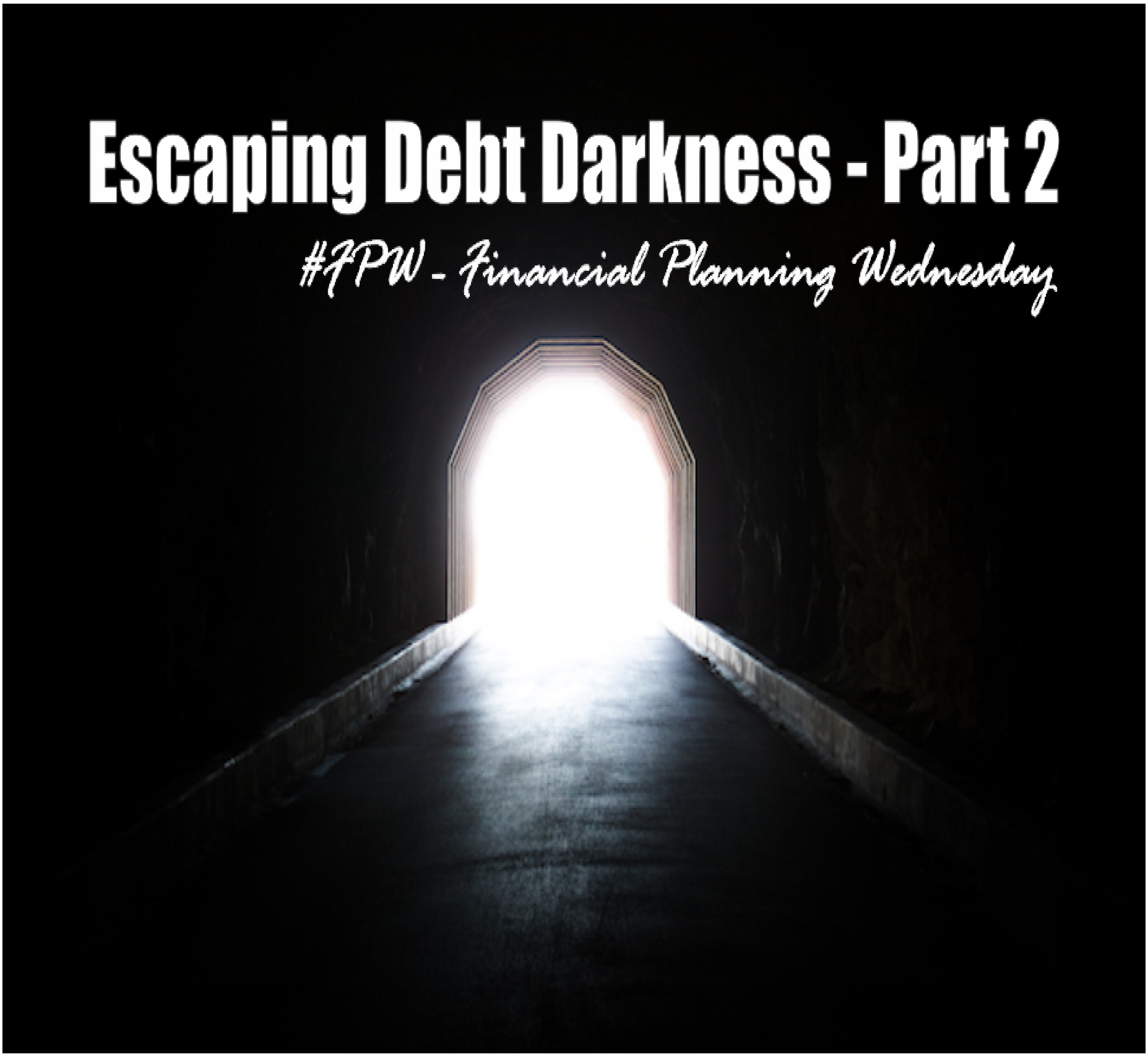


> **?I was taken by darkness, but there was light all around, inside me. I never felt such utter peace, clarity and sobriety.? -** *Johnny Cash*

As explained it to his wife June Carter what it was like to be wrapped in the suffocating black embrace of Nickajack Cave. As referenced in Escaping Debt Darkness - Part 1, the passageways of debt lead trespassers astray and tempt them to head so deep into the cave, they may not be as fortunate as Johnny Cash to escape. The lingering effects of debt can cast an insidious shadow over a personal balance sheet for years; like a murky, stealth thief, it?ll creep into your finances and slowly erode net worth. **Taming debt demons can be as difficult as securing great beasts using shoelaces. However, the lingering effects of excess debt on your ability to reach financial life benchmarks like retirement, shouldn?t be underestimated.** Think prevention; it?s much easier to heed the warning signs. Avoid the cave altogether. Once too far in, a rescue may be necessary. If you?ve strayed too far into the cave, best not take another step. A way out still exists. However, you?ll require assistance. Let me be your guide. Or seek an objective financial partner to help you shine a light on a path to freedom. If you have a successful track record of managing debt, I commend you. You?ve kept your guard up. I so hope you?ve shared with others how you did it. How you managed to remain so disciplined. **After all, living above financial means utilizing credit is an all-American seductress. We?re bombarded 24 hours a day by lenders, retailers, you name it, *(more than any other country).* These entities tempt us to part with our money, whether it?s earned in present or stolen from the future through the use of credit.** American consumerism is relentless and smart. Always seeking new ways to capture our attentions. The overwhelming messages synthesize powerfully to cajole us into spending more than we earn.

> ***Go on, take a bite and feel the warm, delicious high from owning stuff you can?t pay for today.***

Similar to Johnny Cash and those little white pills he believed helped him to focus, write songs and perform. The end result of such actions ostensibly turns out to be a dead end. Those who succumb to the sound of the credit clarion and stumble eventually discover that taking on excessive debt creates long-lasting devastation similar to an addiction that?s gotten out of control. Falling for the low monthly-payment mindset over a *?how much am I paying in interest and charges for the courtesy of taking on this new obligation??* method of thought may lead to forever lost in the cave. So-called ?good debt? such as mortgage debt can be misused if not handled correctly, too. It comes down to boundaries. Rules that are rarely taught but can be created, one consumer at a time. Yes, you have the power to set boundaries. Take control. Let?s explore a passage in the debt cavern in this post. I?ll share my own rule, too. See what you think. There are two more roads we need to explore in a future writing. Let?s tackle the worst, first. **Student Loan Debt** First the scary facts. Like that feeling of falling from a 30-ft ledge into an airless cavern of Nickajack, student loan debt is one of the most serious epidemics we face in the United States. Total outstanding student loan debt, whether it?s Federal or private, stands at $1.3 trillion, behind only mortgage debt. Greater than credit card and auto loan debt. According to attorney and student loan specialist Adam S. Minsky, roughly 1 out of 9 Americans hold student loans and 70% of students graduate with debt. The average 2016 undergraduate student debt stood at $37,000. In 2013 it was $30,000. The percentage of borrowers in delinquency or default stands at a hefty 25%. Amazingly, many students don?t even know how much they owe! It?s a wealth destroying *?I?ll worry about it later,?* mind set. Let?s say you and your children are not in fiscal danger, yet. Set your rule. Don?t stray from it. Here?s mine: ***Keep loans limited to one year?s worth of total expense, tuition, room & board, everything.*** You can divide the money across the full experience, 4-5 years, or all at once. However, no more than a year?s worth of expenses should be taken in the form of student loans. I?ll probably catch slack for this, but so be it. All I seek to do is get you thinking boundaries. My daughter is fully aware of my personal rule and the following steps. Fortunately, her dad has been a Certified Financial Planner since 1998, the year she was born, and began a 529 plan before she arrived home from the hospital. It was funded by monthly auto-pilot for 15 years. Currently, we have six figures set aside for her continued education. Besides rules, what other methods can you employ to avoid the cave? What if you haven?t been fortunate enough to accumulate over time in a 529 college savings plan? Consider the following but first, let me be as clear as I can:

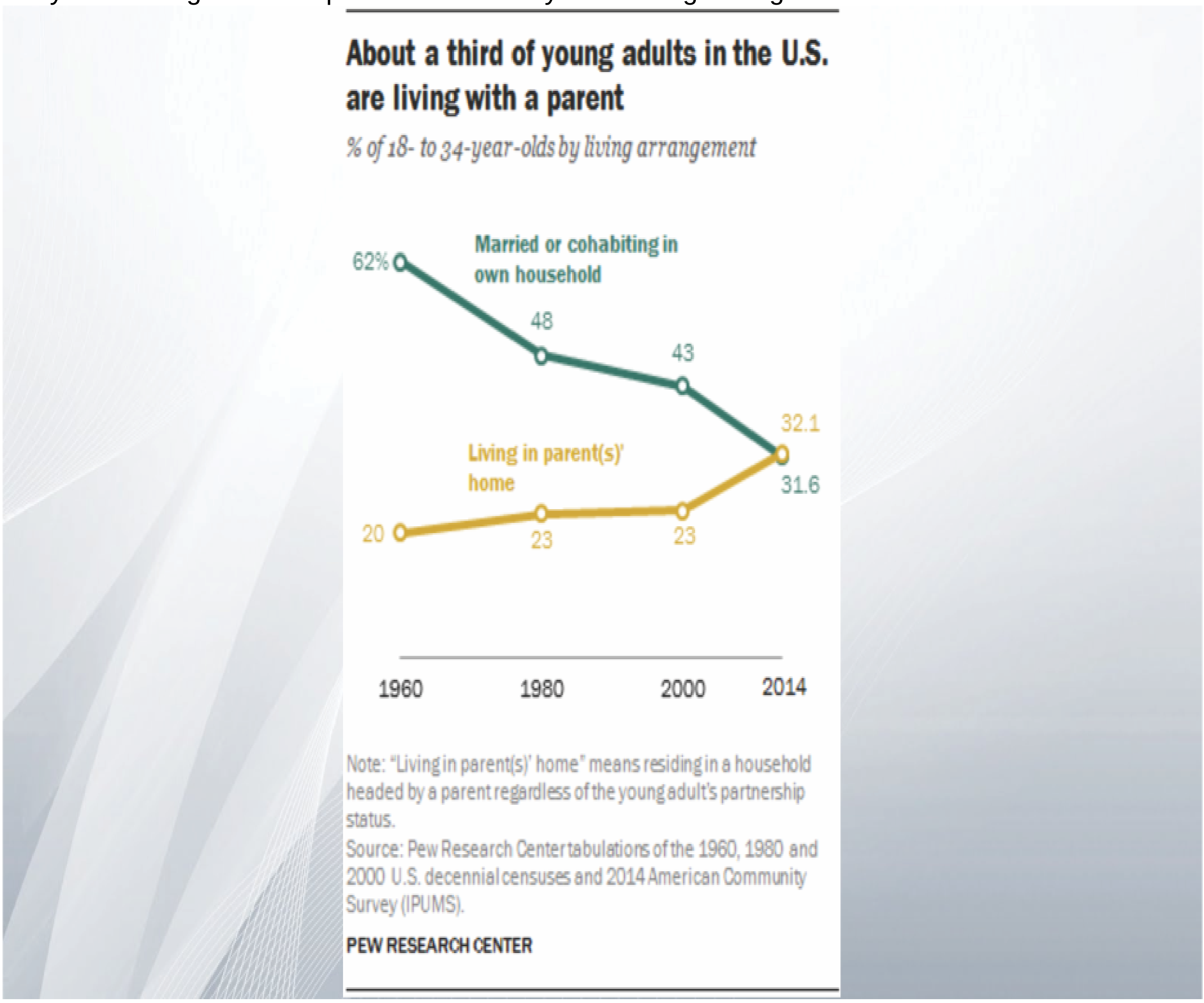
> *Never, I mean NEVER use 401(k) loans, retirement assets, or forsake saving for retirement entirely to fund college. I can?t be too serious about this point. There are numerous funding options, public and private, for higher education. You however, are solely responsible for retirement. Nobody is going to grant you a scholarship for that goal. If you must choose, always choose retirement over college.*

Don?t discount work experience ? Insist a child work for two years at a job that places them in direct contact with the public before considering a college education. *Real life before book strife!*

Understanding human dynamics, the art of service, and dealing with people in general can help a young adult learn to sell themselves to future employers after college. I honed my human connection skills working the housewares department at Macy?s. I maintained a small notebook with customer names and preferences. I would contact them proactively when we ran sales on items I thought they?d like to purchase. **Then create a blog** ? Have your offspring consider establishing a blog about their work and job interview experiences. The lessons will be indispensable for others doing the same. Writing a daily blog will sharpen core writing skills and help prospective students outline their thoughts about a career they?d like to pursue. A blog can be easily established in minutes through a website like www.wordpress.com. **What?s wrong with a community college first?** ? This is the avenue my daughter is pursuing. There once was a stigma surrounding community colleges. No longer. Curriculums are challenging and forge a path to future educational pursuits at less than half the cost of tuition at a public university. A community college can be a practical step to completing basic educational requirements including advanced mathematics and sciences. It?s an opportunity to increase GPA so students may gain a greater chance of earning a scholarship or getting into another college of choice. Consider community college a ?booster shot? to a more successful overall college experience. **Sell the idea of a trade or vocational education** ? All except for the very elite graduating from Ivy League choices, the romance around graduating college and landing a cushy job is pretty much dead. There?s a great opportunity for employment by seriously considering vocations like dental assistant, plumber, electrician, heating and refrigeration expert, iron, metal worker, welder and pharmacy technician. One of the most comprehensive websites I?ve investigated for all topics vocational, is www.educationguys.com. It?s important that schools considered are accredited. Institutions that have been through the accreditation process will offer degrees that most employers will recognize. So what if you?ve already ventured into the student loan debt cave. What steps can children take to work their way out? Now, it may be a bit unnerving, but a plan can be forged. **Forget saving for retirement**. **For now.** If you?re a recent graduate put the idea aside. For five years. If you have Federal-based student loans (and Federal should be your FIRST path to securing a student loan), consider the Standard Repayment Plan initially, which will have your loans paid off in ten years, if your employment income is sufficient to handle it. Of course, if your employer provides a match to retirement plan contributions, go ahead and defer enough income to receive it. No more than that. **Consider an income-driven repayment plan** that sets your monthly student loan payment at an amount that is affordable based on income and family status.

> A Repayment Estimator for the best income-based plan for your needs (you must apply for a plan), is available at www.studentaid.ed.gov.

Now, these plans can get complicated. It?s a smart investment of time and money to sit with a Certified Financial Planner who understands the pros and cons of various income-driven repayment plans or consider hiring a Student Loan Lawyer (not kidding) who can create a customized loan approach for parent and student. Keep in mind, these plans are not available for federal loans made to parents, only students. Also, loans from private lenders have various refinancing options. Online lenders are available and will not have as flexible terms. Also, there?s no such thing as forgiveness, which I explore in greater detail. Income-Driven or Income-Based Repayment Plans may only cover loan interest for a limited number of years (if government subsidized). After that, interest will be added to the amount owed. Or if a loan is discharged after a period of years, keep in mind the discharge may count as taxable income or constructive receipt by the borrower. Bottom line ? Income-based repayment plans can lessen the burden on a new graduate?s strained budget and cash flow by making payments more affordable and aligned with current income, as compared to the Standard Repayment Plan. However, you must understand the mechanics, tax and liability repercussions of each plan. For example, IBRs are determined by a formula of 15% of ?discretionary income,? which is the difference between adjusted gross income and 150% of the federal poverty level. Generally, these loans go out 25 years. The PAYE or Pay-As-You-Earn Plans are a newer option of income-based plans for student borrowers of federal loans incurred after October 1, 2011 and who first borrowed federal student loans after September 30, 2007. Think of those eligible as 2012 graduates who began taking out loans in the midst of the financial crisis in 2008. Obviously, the feds understood the difficult challenge new graduates would face finding gainful employment after the Great Recession. PAYE Plans are always 10% of the difference between monthly income and 150% of the poverty line, regardless of whether future income increases or decreases. These plans are confusing, but be patient; they usually result in the lowest monthly payments for borrowers. A grad?s calculated payment under PAYE must be less than what would be paid under a Standard Repayment Plan with a 10-year repayment period. However, PAYE Plans result in forgiveness which means after 20 years, there could be a hefty tax liability as the remaining loan balance is forgiven and treated as income to the borrower. A thorough overview of federal student loan and forgiveness programs are available at www.ibrinfo.org, an independent, non-profit source. **Even if you?ve secured employment, live at home longer to get a jump start on reducing debt.** Well, this is already a common occurrence. According to www.pewresearch.org, for the first time in longer than 130 years, young adults are likely to be living with their parents than in any other living arrangement.



Since multiple generations co-existing under the same roof is becoming all too common, it?s time for parents to redefine the scope of the arrangement with newly-minted grads. Establish clear boundaries up front. Kids ? Take the initiative to heart. Create a written debt repayment agreement for your parents to prove how serious you are about debt reduction. Outline and be specific as to how you?re going to become financially healthier and focus the majority of your efforts on paying off liabilities in exchange for living quarters. Lay out a time line. Share with your parents how remaining under their roof for an additional three to five years will afford you an incredible financial edge. It?s similar to creating a business agreement. You?ll need to sell your proposal and estimate the end result of your efforts. Open up your entire financial picture to your parents and meet with them monthly to discuss progress. How serious are you? Sign the agreement and provide them a copy. Include specifics, bullet points, regarding how you will assist the household on a regular basis. Whether it?s taking on a share of the time-consuming chores, paying rent or a share of utility bills, these actions will express your sincerity and gratefulness for the generous opportunity to get fiscally fit. The student loan debt epidemic is difficult to fathom. A majority of borrowers hold $10-$25,000 in loan balances by graduation. Naturally, we always hear in the media about those borrowers who accumulate six-figure loan balances. Fortunately, that?s not the norm. The third and last blog installment will tackle the subjects of credit card and mortgage burdens. And Johnny Cash? He indeed made it out of Nickajack Cave. The experience forever changed his life. He discovered his wife June and Carrie Cash, his mother, waiting for him outside the entrance. Cash?s mother made the trip too because she felt something was very wrong with her son. **It?s important as parents that we help our children avoid or navigate the student loan channel of the debt cave as best we can. Help them find a way out.** At the least, we should have the common sense to employ financial or legal professionals to act as lighted, educated guides along the way when the time to pursue higher education draws closer.