

Follow this rule of thumb to avoid taking on too much student debt, college experts say

Annie Nova CNBC MAR 24 2023

Families will soon find college acceptance letters in their mailboxes. As students weigh [where to attend](#), making sure they won't borrow too much is key, experts say.

[The consequences of taking on too much student debt can be severe](#). "If you borrow too much, you will have less money available for other priorities, [such as buying a home](#)," said higher education expert [Mark Kantrowitz](#). "You may also have to take a job that pays better as opposed to the job that matches your career goals."

Kantrowitz found in his research that under a third of student loan borrowers who took out \$20,000 or less were stressed by their debt, compared with over 60% of those who'd taken out \$100,000 or more.

The general rule of thumb is not to borrow more than you expect to earn as a starting salary, said Betsy Mayotte, president of [The Institute of Student Loan Advisors](#), a nonprofit. That figure will vary a bit based on what you plan to study. You can look up annual [average incomes for different occupations](#) at the U.S. Department of Labor's website. Kantrowitz also stands by this metric. "If your total student loan debt at graduation is less than your annual starting salary, you should be able to repay your loans in 10 years or less," he said.

Kantrowitz recommends families consider colleges based on the "net price," which is [the amount they'll have to pay](#) with savings, income and loans to cover the bill, after aid that doesn't need to be repaid, including grants and scholarships, is accounted for. When calculating the four-year net cost, Kantrowitz said, keep in mind that different years may cost different amounts because some colleges offer [grants or scholarships](#) only for the first year or two.

After estimating the total tab, you can figure out — after any savings or income you plan to direct at the college bill — if what you'd need to borrow is reasonable. "Often, the least expensive option will be an in-state public college," Kantrowitz said. "They cost a quarter to a third of the cost of a private college but provide just as good a quality of education."

If students find that all the colleges they applied to would leave them borrowing too much, they can look at others, as many schools still accept applications after May 1, Kantrowitz said. The National Association for College Admission Counseling usually publishes [a list](#) of colleges with space still available.

One more point: Incoming college freshmen should more or less **tune out news about the [Biden administration's student loan forgiveness plan](#)**, experts say. Even if the program survives [the legal challenges it faces](#), there's no guarantee there will be another wave of loan cancellation. "You should only borrow as much as you can reasonably afford to repay," Kantrowitz said.