

Annual Income, Debt Load, Tuition and Fees

The Good **The Bad** **The Ugly**

Jim Taylor, DVM
University of Tennessee '08

James F Wilson, DVM, JD

Definitions

1980 \$10 \neq 2008 \$10

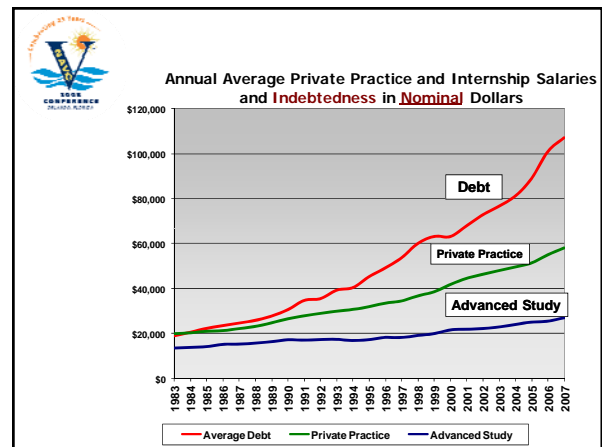
- Nominal dollars** — also known as current dollars; **NOT** adjusted for inflation, reflective of values relative to a particular year; used for evaluating financial data within a given year

Definitions

1983 \$10 \rightarrow \$4.79 of purchasing power in '08

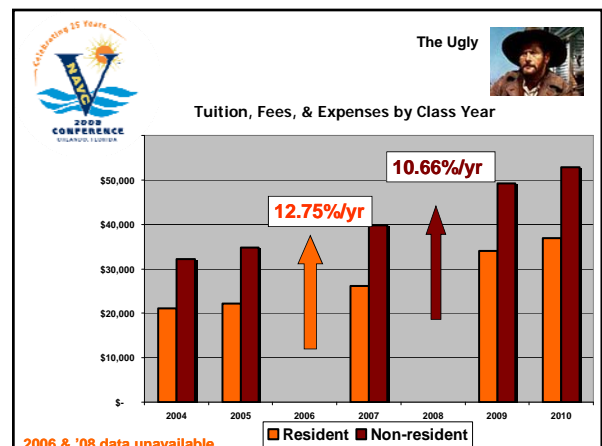
Its purchasing power has been eroded by inflation


- Real dollars** — adjusted for inflation, reflective of values regardless of year; used for accurately evaluating financial data over multiple years




Debt-to-Salary Ratios Over Time



Year	Debt	Private Practice Salary	Debt/Salary
1983	\$18,897	\$19,872	95.1%
1995	\$45,251	\$31,925	141.7%
2008	\$119,658	\$61,518	194.5%







Salaries cont'd







- 25.1% increase  in **real** private practice income since 1983
- 0.87% average annual **real** income increase
- 0.36% average annual **DECREASE**  in **real** internship salaries



Debt



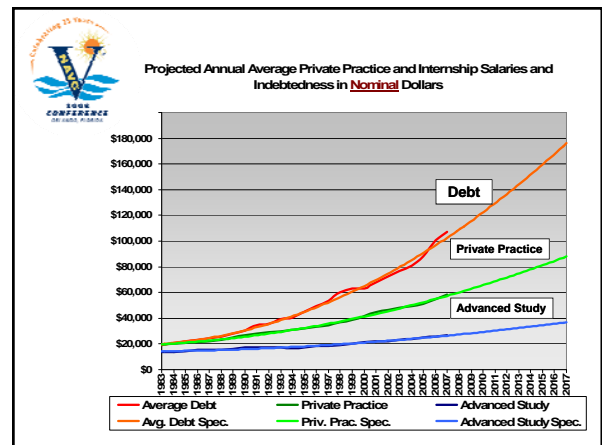

- 173% increase  in real educational debt between 1983 and 2007
- 4.7% average annual  real increase since between 1983 and 2007
- 5.2% average real  increase over last six years!



The Future of Debt to Salary Ratios

Year	Debt	Private Practice Salary	Debt/Salary
1983	\$18,897	\$19,872	95.1%
1995	\$45,251	\$31,925	141.7%
2008	\$119,658	\$61,518	194.5%
2012	\$137,000	\$71,000	193.0%
2017	\$176,000	\$88,000	200.0%

Debt was \$106,989 in 2007 with Salary at \$58,106... With ratio of 184.1%

Finaid.org Loan Calculator

2008 Mean Loan Balance: \$119,628

Loan Interest Rate: 6.80%

Loan Fees (assumes no private loans): 0.00%


Loan Term: 10 years

Monthly Loan Payment: \$1,377

Number of Payments: 120

Cumulative Payments: \$165,202

Total Interest Paid: **\$45,574**



Finaid.org Loan Calculator

2008 Mean Loan Balance: \$119,658

Loan Interest Rate: 6.80%


Loan Fees (assumes no private loans): 0.00%


Extend Loan Term: 25 years

Monthly Loan Payment: \$830

Number of Payments: 300

Cumulative Payments: \$249,091

Total Interest Paid:  **\$129,463**



Finaid.org Loan Calculator


2015 Mean Loan balance:	\$176,000
Loan Interest Rate:	6.80%
Loan Fees:	0.00%
Loan Term:	<u>10 years</u>
Monthly Loan Payment:	\$2,025
Number of Payments:	120
Cumulative Payments:	\$243,099
Total Interest Paid:	\$67,050



According to Finaid.org


Assuming that the ideal **10%** of your **gross monthly income** will be devoted to repaying your student loans, It is estimated that you will need an **annual salary** of at least **\$240,305** to be able to afford to repay this loan in 2015

If we increase repayment to **15% of your gross monthly income** for the same 10 year, you **only** need an annual salary of **\$160,200**



Finaid.org Loan Calculator

2015 Mean Loan Balance:	\$176,000
Loan Interest Rate:	6.8
Loan Fees:	0.00%
Extend Loan Term:	<u>25 years</u>
Monthly Loan Payment:	\$1,221
Number of Payments:	300
Cumulative Payments:	\$366,470
Total Interest Paid:	\$190,70



Finaid.org Loan Calculator


Cut Expenses \$2,500/year:	\$166,000
Loan Interest Rate:	6.80%
Loan Fees:	0.00%
Extended Loan Term:	<u>25 years</u>
Monthly Loan Payment:	\$1,152
Number of Payments:	300
Cumulative Payments:	\$345,647
Total Interest Paid:	\$179,649
Difference:	\$20,822 ↓



According to Finaid.org

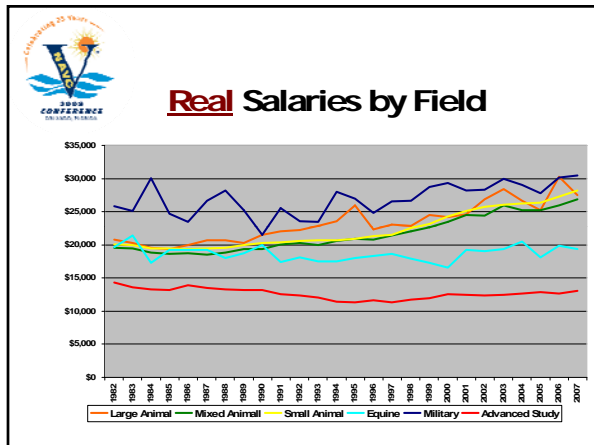
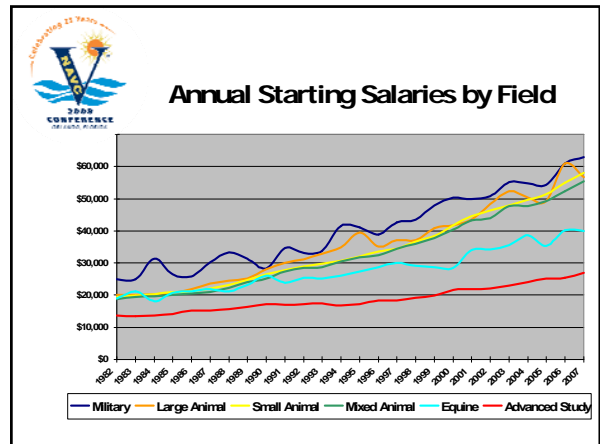
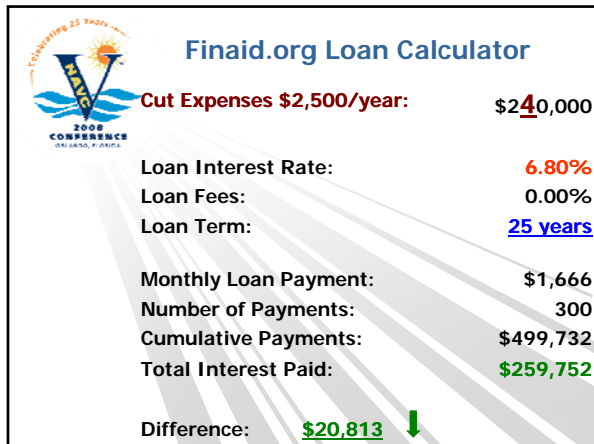
If we keep repayment at **15% of your gross monthly income** but increase the time to **30 years**, you **only** need to pay **\$1,122/ month** and, thus, can get by with a salary of **\$97,730 per year**

Either of these scenarios may require that you forestall having children, buying a home, starting a veterinary practice, and/or saving for retirement or even buying a new car for many years!



Finaid.org Loan Calculator

Loan Balance:	\$250,000
Loan Interest Rate:	6.80%
Loan Fees:	0.00%
Loan Term:	25 years
Monthly Loan Payment:	\$1,735
Number of Payments:	300
Cumulative Payments:	\$520,554
Total Interest Paid:	\$270,554



Are You Ready For

&

Excited About Your Future?

Do You Now Understand

Why Learning About Personal Finance & Business Will Be Such An Important Part of Your Veterinary School Education?

JOIN YOUR SCHOOL'S VBMA!