

# Huge Student Loans and Overwhelmed

## Q. Where Do I Start? I Have Huge Student Loan Debt and Don't Think I'll Ever Be Able To Pay it Off

I am a physician assistant and my partner is a physical therapist. We're about two years out of school. I have only recently started to try and figure out how to be smart with my money. I owe \$167K in student loans and my partner owes \$200K. Our combined income is \$200K. We have been living in a town with a very cheap cost of living for the past two years and trying to put all of our extra money on our loans. I even had a night at home where I freaked out about the loans and on impulse, spent thousands of dollars toward my Grad Plus because I just kept thinking my savings were pointless when I was in such massive debt. It seems like, despite all our large payments to these loans, they are hardly different from when we started. Very discouraging. I've recently started putting money into an investment account using [Betterment](#) and feel like it's doing pretty well, but I'm overwhelmed by all of the advice and podcasts and books available. I've been stressing myself out reading your site again tonight just because of the massive amount of information. I guess my question is, [where do I start](#)? I know this whole message must sound stupid, but I'm sending it anyway in case you have something wise to respond with.

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## A. You're Not Alone

Your message doesn't sound stupid because I get several of them a day. You are not alone. You are not alone. You are not alone. In fact, you might be typical, but probably just a little worse due to your high debt to income ratio. You're right to start looking at this now rather than ignoring it because it seems overwhelming. If you don't get a handle on this now, you're going to end up nearly retired and still broke. Does that make you anxious? It should. But just anxious enough to put the time and energy into putting together a plan and following it, not anxious enough to lie awake at night. The plan will help prevent that.

You might not be physicians, but you're basically the equivalent of a single physician with a \$200K income and \$367K in student loans. That's a [higher ratio of loans to income than I recommend](#) (I try to get people to keep it to 1X and you're at almost 2X) but it's still within the realm of doable without anything too extreme, unlike 3-4X, which is really [monstrous debt](#).

The way doctors take care of a debt like that is by [living like a resident](#) for 2-5 years (probably closer to 5 years in your case) and directing a massive percentage of your income toward the loans. For example, if you are making \$200K, and

paying \$50K in taxes, and living on \$50K (a typical resident salary), that allows you to put \$100K toward the loans. In 4 years, the loans are gone and you can redirect part of that \$100K that was going toward them toward retirement savings and part of toward a boost in your lifestyle.

You need to stop thinking you're rich. Rich isn't an income, it's a net worth. Just because you make \$200K doesn't mean you have money to spend. You don't have money to spend because you are \$367K worse than broke. That bum on the corner is richer than you are. [You are some of the poorest people in the world](#), and you need to spend like it at least until you can get back to broke. You're right to "freak out" about that, because it's a lot of money. It's basically the equivalent of two years of your lives that you've already spent but haven't yet earned.



So rather than concentrating on the little tiny stuff like a [Betterment investing account](#) and your savings account, you need to head on address the elephant in the room- [the student loans](#) – and develop a written plan for tackling that. Once you have that plan, all you have to do is follow it. Don't make it so extreme that you can't follow it, but do make it extreme enough that it is gone within 5 years. Some suggestions:

## # 1 Boost Income

Do all you can to boost income. It's a lot easier to pay off \$367K when you make \$250K than when you make \$200K. That might be over time, switching jobs, getting a raise, working at the hospital on weekends etc.

## # 2 Get On The Same Page

The two of you need to meet together and get on the same page. You need to be united. Just one of you doing this isn't going to work. You might consider reading Dave Ramsey's [Total Money Makeover](#) or attending Financial Peace University or [Fire Your Financial Advisor](#) together. If nothing else, start downloading the podcasts from [the Dave Ramsey show](#) and listen to them while you drive to and from work for a month or two.

## # 3 Can't Go Halfway



If that debt is at 6%+ like most student loans, the interest alone on \$367K is \$22K. That's why only putting \$25K a year toward it means you never get out of debt and only putting \$50K toward it means you're in debt for 15 years. You've got to get that number higher, like \$100K. Then you have a chance. Sit down, make a real budget, cut cut cut, and follow it.

## # 4 Refinance

Consider [refinancing the loan](#) if at all possible. Even knocking 1% off the interest rate is \$4K that goes toward principal instead of interest each year. If you're really committed to getting rid of it in 5 years, you can take a 5-year variable loan and maybe knock 2-3% off of the interest, allowing you to put an extra \$8-12K a year toward principle.

That will make a big difference, but bear in mind you can't feel like you did something just because you refinanced. Refinancing doesn't get rid of any debt. You actually have to throw money at it – a lot of money at it – to get rid of it.

## # 5 Downgrade Your Lifestyle

If you have already upgraded your lifestyle too much to be able to put \$100K a year toward those loans and some hardcore budgeting can't solve the problem, you may need to sell your cars and [drive beaters](#) or even sell your house and find a cheaper rental house for a few years.

## # 6 Use Your Cash

Take any cash you have (other than a very small emergency fund) and put it toward the debt. Any assets that you have that you can sell would also help- rental properties, expensive cars, boats, strollers you don't need, whatever. "Sell so much stuff on eBay that the kids think they're next" as [Ramsey would say](#). It doesn't make much sense to hold much cash making 1% or 0.01% while paying 6% on student loans. [You already had the emergency](#), use the emergency fund to pay for it.

## # 7 Paying Off Debt Isn't Impulse Spending

"Impulse spending" on your loans isn't spending at all. It's probably exactly what you should be doing. In fact, I might even liquidate the Betterment account and put that toward the loans too. The only saving/investing you should be doing at this point is enough to get the maximum match your employers are offering in the [401\(k\)s](#). Everything else should be going toward that debt. Maybe as your debt to income ratio improves you can justify slowing down a little in order to take advantage of the tax breaks available with [retirement](#)

[accounts](#), but not when you're at nearly 2X already.



You can do this. The entire White Coat Investor community is rooting for you. We hope to see you back here in a few years with a huge success story.

*What do you think? What advice would you give to this couple? How can they get some sleep at night, avoid freaking out, and get back to broke as soon as possible? Have you been in a similar situation? Share your story below!*