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is on your side

Shouldn't I pay off my student loans before I start investing?

Many people think you have to choose one or the other, but a third option is to compromise and do both.

No doubt about it. You should always make at least the required payments on your student loans. If you don't, you'll be on the hook for some late fees. Plus, paying them consistently and on time will help you establish a good credit history.

The question is what to do with any extra money you have after all of your expenses are covered. Many people use it to pay off their loans faster, but that may not be the best choice for you.

A simple comparison of rates can help you decide.

Look at the interest rates you're paying on your student loans and compare them to the returns you think you could reasonably expect to receive from investments. Your financial advisor can help you with this.

If your student loan interest rates are **lower** than what investments may earn, you may want to consider investing some of your extra money.

If your student loan interest rates are **higher** than what investments may earn, making extra loan principal payments may be a good idea for you.

There may be other aspects of investing for you to consider, too.

Even if it makes sense for you to pay more toward your student loans, there may be good reasons to also invest some of your extra money. That's especially true if you have a retirement plan available at work.

Employer match

Many employers will match a percentage of your investment into your retirement account with money of their own, up to a maximum amount.

Tax deferral

The money invested into your retirement account, whether from you or your employer, can also grow tax deferred until you make withdrawals.

Compounding

Your investment earnings can remain in your retirement account and generate earnings themselves, which may help your account value grow more quickly.

The key to all of this is time. The earlier you begin to invest, the longer you'll have to potentially take advantage of employer match money, tax deferral and compounding. So even though you may be paying down your student loans, seriously consider whether you can also start investing at least a small amount for your retirement.

Of course, it's important to carefully read the information your employer provides regarding the retirement plan before you invest.

Talk with your financial advisor about an investing strategy that will work with your loan situation.

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