Travis Hornsby - Student Loan Planner - Transcript

Tim Mullooly: Welcome back to Living With Money. This is Tim Mullooly. On today's episode, I am joined by Travis Hornsby. Travis is the chief student loan planner at the company that he created in October back in 2016 called Student Loan Planner. Travis, thanks for coming on the show.

Travis Hornsby: Thanks for having me, Tim.

Tim Mullooly: Before we get into the company and what you do, let's start with a brief background about yourself. I always like asking the guests who work in the finance related industry, what was your relationship with money like growing up and how did that kind of shape how you view your finances and money today?

Travis Hornsby: Yeah. We never had a ton of it. My dad was a teacher. Mom was a nurse, but she didn't work for most of my childhood, had some medical complications. That was part of the reason, and then she just decided to stay home with me and my two brothers. We were always needing to be super frugal. Whenever we would go out to eat, can't get anything but water, have to get water every time. Got to got to make sure we go to the second run movie theater, not the one that's showing all the new movies. Right. There were reasons why like I could tell that we couldn't have anything that we wanted.

As I was approaching college, I felt like, "Well, I have to make this happen myself." I felt like my parents were not going to contribute anything to my college or not going to be able to contribute that much. They did make a really, really smart decision though when I was born. They actually got prepaid tuition in my states. I did actually have tuition covered, and that was good planning, but it was also luck because those prepaid tuition plans back in the 90s were super valuable and a lot more generous than they are today. They were kind of projected out going forward with those stock market rates of return. I really got a great deal with that.

I actually came out, through a combination of scholarships and prepaid tuition, without having to owe anything. I had no student loan debt from undergrad at all and had a great relationship with money just because also I had my granddad as an example. He was just sort of my, and still is, my hero and just had a great way of just handling money. Just saved a lot, invested a lot, always was careful with things like housing and car expenses. Just taught me a whole lot. I thought, "Okay. I want to get involved in finance." That's what got me into wanting to be in finance in the first place.

Tim Mullooly: I'm always interested to hear how people got interested and hearing their stories. Usually, it starts with the parents and the grandparents, but it's always in different, unique ways. That's really great that you were able to get out of school without any debt. What was your career like leading up to the beginning of Student Loan Planner and how did your work before Student Loan Planner ... Does that kind of contribute to what you're doing today, if at all?

Travis Hornsby: It does, yeah, because I basically wanted to go into finance after deciding that I guess I shouldn't go become an economics professor. That was my plan initially. I took some advanced math courses and those fell flat. I just couldn't ... I just wasn't passionate about it. Then I thought, "Okay. I'll a job", and to me the best place in the world was to go get a big job at a mutual fund company, become a bond trader.

That's what I did. Learned a whole lot about Excel because that's kind of how we modeled a lot of things was using Excel. Just decided that that wasn't where my passion was. I ended up leaving that job to actually try to pursue early retirement, which is kind of a funny story.

Tim Mullooly: Let's hear that funny story. What do you mean pursue early retirement? Kind of like the FIRE, what people are doing now with-

Travis Hornsby: Absolutely. It's going to sound super privileged, but like within like a few months of my job, I was already kind of like, "Oh, there's got to be something better than this." I ended up ... I was in this rotational program. Ended up in bond trading for a couple years. I already started to get really into like the FIRE movement reading all those blogs because it spoke specifically to my anxiety at that time, which was, "I cannot imagine doing this for 30 years and getting a house with a white picket fence and that being my existence." I just thought that was very boring to me.

I had always been a saver because my granddad was a saver and he was the person I'd tried to emulate the most. I'd always been good at saving. I had come out of college probably with like a mid five figure net worth probably just from saving and investing.

Then going up to the Northeast, making good money obviously, saved 70% plus of that, lived in roommate situations the entire time, drove kind of a paid off somewhat clunker car, and saved everything. My attitude was, "Okay. I can live off of, according to these FIRE blogs, I could live off of $20,000 per year and I only need $400,000 to do that. I'm going to pretend that I can do that with less, with like half of that." The theory being that I'm going to figure out ways to save and earn more money and put that money away so I can at least have a couple of years off spending at this very low level of spending, and I'm just going to go explore the world.

There's this airline called WOW Air that is now bankrupt, but they were coming out with these nonstop flights to Europe. The Facebook ads they were running at the time were for $99 flights to Europe. They flew out of DC and New York I think. I ended up just deciding I'm going to buy a one-way ticket to Iceland. I did that in 2015, the summer of 2015, and right after I bought the ticket, I went out on a date with my now wife. Was not planning on having relationship at all at the time. Obviously-

Tim Mullooly: And it's a one-way ticket.

Travis Hornsby: Right, exactly. Not any kind of long-term plan at all. Just sometimes that's the way these things happen, right?

Tim Mullooly: Right.

Travis Hornsby: I started dating my wife and we got a little more serious, started talking about stuff, and started talking about finances. Eventually had that money talk because obviously finances are very important to me and wanted to make sure that we were financially compatible. She revealed that she had a lot of student loan debt, so I'm thinking, "Oh shoot. I've never experienced student loan debt. How much is it?" It was a six-figure amount, a lot less than most physicians have, but it was still a six-figure amount. I figured that, "Okay. We'll pay this off in no time." It's pretty funny too because she shows you like physicians a lot of times just have very little like financial training and expectations about things. She thought her starting salary was going to be a certain level. It ended up being significantly below that level. Just kind of interesting how like she didn't really have accurate projections for that.

Then also, the loans. Like she'd gotten some bad advice on her student loans and hadn't managed it very well. She should've had seven years worth of credit for this program that forgives your loans after 10 years. Instead, she had basically zero credit on one set of loans and three years of credit on the other set. My Excel background kind of took over and I started modeling all this and realizing, "Wow. This is really a big mess and it's a lot more complicated than I thought." I made a plan for her loans and just figured out for her that the right thing to do was just to pay it off just because of how mismanaged the loans had been.

She pitched the idea of me, while I was sort of this early retirement phase of life, me talking to other people that had a lot of debt, especially our friends. Because we were in this big city in the Northeast, lot of people had student loan debt. She said, "You should talk to some of our friends and you should ask them to pay you to make a plan for their loans." That's kind of a weird thing. I don't like charging friends for things. She's like, "Yeah, but they need it and they would be more than willing to pay if you could help them save money." I thought, "Okay. Well, I'll try this."

I helped out a few people, probably helped out like a half dozen people with my first 1.0 version of my spreadsheet. Then that spreadsheet ... I had been a blogger for an extended length of time during this early retirement, like year and a half. I kind of put it in the back burner while I was traveling. Didn't really focus on it a whole lot. Then eventually, that spreadsheet that I had built got featured on Business Insider and Yahoo Finance and some major websites.

I moved to St. Louis to just support my wife's career. Then I was kind of just messing around, still blogging kind of aimlessly. Then just kind of found out that the spreadsheet people really loved. That went viral, and when that went viral, I made a comment that I did part-time student loan consulting. Then a bunch of people reached out to get a plan from me.

That's what kind of launched things. I started the blog, studentplanner.com, and started writing about all those things that people were going through. One thing led to another, had a bunch of articles go viral on Facebook about veterinarians, had an article go viral on dentists, and then started really establishing ourselves as an authority in some of these different occupations. Then got a lot of clients that way. Then word of mouth, Google traffic, all these things kind of snowballed. Then now we're a team of maybe like 15 people today.

Tim Mullooly: That's a very interesting story about how it all kind of aligned for you there. Leaving the bond trading and then taking the time off to do the early retirement, and that allowed you the time and space to fall into this student loan planning business.

There's such a demand for it. Like your wife said, there are plenty of people out there who really need your help. Is that the ultimate goal of the company now is just to help as many people as you can with their student loan debt?

Travis Hornsby: Yeah. A lot of people ask me like, "How big do you want this to be?" I tell them that's a great question. I think I do want it to be as big as it takes to help a lot of people and no bigger because I think that having a company be big for just the sake of it being big is not really that helpful. I think that in my perfect world we're helping probably five times as many people as we are today every year. Then I think that that would be a great size to be at. Yeah, we've helped 3000 people so far. We've probably helped probably 1500 in the past year of the three years we've been around. I'm hoping that we'll hit 2000 or 3000 that we'll help this coming year in 2020.

The thing that we're really able to do is just eliminate somebody's anxiety. Yeah, we save people a lot of money usually, but the biggest thing that student loan debt causes is anxiety, and in some cases severe anxiety. There's actually great math-based answers to solve all of that anxiety and eliminate it, but you have to have the knowledge base to prove it to somebody that, "Hey, student loans is not actually holding back your future. It's actually a mindset problem, and here's the solution."

Tim Mullooly: Yeah. It can be a huge black cloud hanging over someone for years after they get out of school. For someone who gets in contact with your company, what's the process like for someone when they get started?

Travis Hornsby: Basically, somebody that should get a plan from us owes more than they earn. In other words, you have more student loan debt than you're earning every year in compensation. The reality is when you owe more than you earn, then you start having a little bit more complicated questions than everybody else does, like, do you refinance? It depends. You can file taxes separately, exclude your spouse's payment, income. You can also reduce your income on your taxes in certain states like California that have some loopholes available. You can go for forgiveness in the private sector or go for forgiveness in the not-for-profit or government sector, which is even more lucrative, even more valuable. You can also refinance, but if you refinance to the wrong term, you might get denied for a mortgage.

There's all kinds of things that go into making a student loan plan match somebody's life. In terms of when somebody reaches out to us, probably 80% of the time they need a student loan plan, especially if they owe more than $100,000. We'll just go through the process with them over the course of an hour. We basically have a form we've used thousands of times, we get all the information that we need, we get a screenshot of their loans with a specific landing page that we ask for, and then we utilize that information to give them a plane in an hour. Then we have approximately six months of follow up that we're available for via email after the call.

We found that 99% of the time this fixes someone's student loan problem. I personally don't think that people care if it takes somebody 10 hours or one hour. The main benefit is like, did the plan actually happen and did it actually get implemented? That's what our process is all designed around. That costs a few hundred bucks. It's not a bank-breaking kind of expense, and we're better at it, I would argue, than almost any financial planner out there that's going to charge somebody 10 times what we charge.

Tim Mullooly: Right. Yeah. That was another follow-up. I was going to ask about if it was an ongoing relationship with them, but that's good to know that there's like a six month period there where they can follow up with emails in case they have extra questions that pop up after they get the plan.

Travis Hornsby: Right. Let's be frank. People book calls, they book advice, they pay for advice, when they have pain. Nobody books consultations because they want to plan ahead of time and make sure they don't make any bad mistakes that other people make. Like no.

Tim Mullooly: Right. It's always after the fact.

Travis Hornsby: Right. We know we have a pre-debt consult that people can book and get a plan beforehand so that they don't put themselves into a bunch of anxiety. That's not nearly as popular of a service as the, "Oh, I have a lot of debt. I'm screwed. What do I do?" The reality is that we do a good enough job on the front end that very few people need that follow-up consult. We are available for follow-up consults for an additional fee, and several dozen people have taken us up on those follow-up consults, but that tells me that of the 3000 people that have hired us, most of them have eliminated their student loan anxiety and haven't needed an additional consult.

Tim Mullooly: Yeah. That makes a lot of sense. You were just kind of quickly listing off different ways that in different situations people can pay off large amounts of student loan debts. I was doing some reading online and there are lists of ways that people can pay off their debt. I wanted to ask, in your expertise and what you've seen the most, what are some of the more popular ways that people choose to pay off their student loan debt?

Travis Hornsby: Yeah. I would say that the most popular to pay off student loans is probably refinancing simply because if you're going to pay it off, the government generally charges more in interest than you could get if you refinanced it with a private lender that views you as a better credit risk. For example, instead of being charged 6-7%, 8%, you can move your loan to a private lender, which might charge you 2-5%. That's the most common way that somebody pays off their debt.

The most way that someone pays their debt, which is not the same thing saying pays off, is they sign up for an income driven repayment plan. They'll sign up for some sort of payment plan where they can pay based on their income. Most of those people that sign up for that kind of a plan will have their loans forgiven at some point by the government and are not candidates for paying off their loan in full.

The majority of student loan borrowers will eventually pay off their loans. That's because the average student loan debt is about $35,000. People that owe $35,000, if you're paying 10% of your income for 20 years, you sure as heck hope that that person is not going to get any loan forgiveness. That'd be very bad if you had that little income to have that kind of a balance forgiven. The majority of people are going to pay their loans off. I would say that probably a lot of people pay it off just with the government programs because the government programs do offer better protections in a sense of if you lose your job, you can go on forbearance for a lot longer. The payment is a lot more flexible. You can sign up for those income based options if you do lose your job. Probably people prefer the government. I just think that people probably overvalue those protections at the cost of paying too much in interest.

Tim Mullooly: I'm glad that you pointed out that distinction between paying your student debt and paying it off. Something that I'm sure people probably don't usually make the distinction between. Am I right?

Travis Hornsby: Yeah. Like people tend to think of ... People in general tend to think of just, "That's the way you pay your loans is to get rid of them", and that's not the case. If you owe twice what you earn, then there's a really good chance your loans are going to be set up to be forgiven if you pay on an income-based plan. That means that you need to think about your loans like a tax instead of a debt because if you're paying a percentage of your income, that's basically what it is. If you start making too much money where you're going to pay the loan off completely, then rather than thinking of your loans like a tax, you might want to go ahead and think of it like a debt and think about debt in the traditional way that people think of getting rid of debt.

That's a question that has to be answered. Which one of those two situations are you in? If you owe less than you earn, if you have a lower debt than what you make every year in salary, then it's going to be kind of hard to get your loans forgiven, even if you work for a not-for-profit or government employer, just because you probably won't have a big balance left to forgive. If you do owe more than you earn, then that means that you have a decision to make, and that decision is not at all obvious as to which path you should go for. That's kind of the crux of the physical outcome of a consult as we answer that question for you.

Tim Mullooly: Right. Yeah. That's an important question to answer I feel like right off the bat. You said the most popular way is to refinance. Are there any times where there are ways to either pay the debt or pay off the debt that you tell people that they honestly just never heard of before, kind of like the California loophole that you were mentioning earlier?

Travis Hornsby: Yeah. There's a lot of loopholes that people are not aware of. You can file your taxes separately and exclude your spouse's income from the payment. A lot of people are not aware of that. A lot of people are not aware that the Pay As You Earn plan allows you to do that. The revised Pay As You Earn plan that's recommended by every loan servicer does not allow you to do that. That's a real popular loophole that people don't understand and know how to take advantage of.

There's also other kinds of issues. The refinancing ladder is one thing that people don't know about. For example, when you're starting to pay off your loans, everybody assumes like, "I got to sign up for a 10 year plan." The problem with 10 year plans is you're going to pay about 1% of your balance every month. If you owe a whole lot of money in student loan debt, then if you sign up for a payment plan where you're having to pay 1% of your balance every month, then that could potentially put you at too high of a monthly payment going to debt to qualify for a mortgage.

That's one reason why I often will tell somebody you can start off with a 20 year fixed rate, and right now because of how good 20 year loans are in the economy, just because of what's going on with interest rates, that's actually a pretty good deal right now. Then you can pay extra with no penalty. You can pay a lot more than you have to pay. Then you'll pay down the amount that you owe.

Let's say you have $100,000. You pay down $100,000 to $50,000, so your 20 year payment might be $600 a month on a $100,000 loan. If you pay that down from $100,000 to $50,000 because you pay a lot extra in payments every month, then you could refinance that $50,000 again and you could refinance it to perhaps a seven year loan term instead of a 20 year. Your monthly payment might be $600 to $700 a month. Very similar to what it was with the 20 year fixed initially, but instead of getting out of the debt in 20 years, you're scheduled to get out of it in seven years. What's the most important piece of that is you kept your monthly payment under control.

There's another piece to that that's not a reason why somebody should refinance, but it's just a nice kind of extra. One way that Student Loan Planner is very different from other websites is we have lower commissions than anybody else that we have intentionally designed so that we can afford to give welcome bonuses to people who refinanced through our links.

For example, somebody that uses Student Loan Planner to refinance is going to, in most cases, get a $300 to $750 cash bonus. That's kind of like a credit card that you sign up for and you get a $50,000 mile bonus with Southwest. It's kind of like that. The other websites that make a ton of money off student loan refinancing prefer to keep that whole commission, and so they don't pay any bonuses at all. The other benefit of that student loan refinancing strategy is you can get multiple welcome bonuses from multiple lenders by starting off at a long-term repayment, keeping your work required payment low, and refinancing multiple times. Basically, studentloanplanner.com/refi, R-E-F-I, is a place that people can go see those links.

Tim Mullooly: That sounds like a really great deal. We'll link in the show notes for those listening. We'll put that link in there so you can go check out what Travis was just talking about. That ladder though, I feel like that's something people wouldn't think of on their own. That just shows the benefit of working with professionals who do this for a living who can really come up with some creative ways to help people get out of debt.

Travis Hornsby: Yeah. I don't want to like pretend that people should hire us like in every situation. Somebody that owes $30,000 in most cases is going to be better off just using the refi links and not paying us anything. Can we save somebody ... Let's say the cost is $400 to get a plan. Can we save somebody $400 worth of costs and interest on a $30,000 loan? It depends. In a lot of cases, we can, even with just $30,000.

Here's one example. If you graduate, you can consolidate your loan immediately after graduation and you can get $0 payments for the first 12 months after graduation if you fill out the paperwork in the right way. Why is that $0 payment important? If you sign up for the revised Pay As You Earn plan, then on any subsidized loans, you get a 100% interest subsidy. You're paying $0 a month and you literally have zero interest.

If you have unsubsidized loans, then the government will give you a 50% interest subsidy. Let's say that somebody's graduating undergrad. Half their loans are subsidized, half are not. You could probably, by filling out the paperwork the right way, you could probably get an interest subsidy of 100% of your interest on those subsidized loans. Say that's worth like $1000 or $2000. Then a 50% interest subsidy on the unsubsidized loans. That's probably worth like a few hundred dollars. That's more than the consult fee. In theory, that would be a worthwhile consult to do.

The problem is just usually people don't have enough pain on that $30,000 to actually physically commit to getting a plan. That's kind of why we see our average client owing a six-figure balance is because that's when it's like, "Okay. You messed this up. You're out at least $10,000." Then it's kind of a lot more of a no-brainer. Our service is most probably optimized for somebody that has a very large amount of student loan debt.

Tim Mullooly: For a lot of people who have those six-figure loans to pay back and to pay, it can be a huge burden for people, but I've read on your site and around the internet that you can actually, if you can get your student loans under control, you can actually use them to help you achieve some financial independence. Do you want to talk about how that can actually switch from being a burden to helping someone become financially independent?

Travis Hornsby: Yeah. It's kind of a really interesting thing. If it's a tax, then it's always a percentage of your income. If you have $500,000 in student loan debt, that's like an extreme example, like for somebody who's a dentist, but maybe you just have $100,000, like a smaller amount or even $50,000. The question is, did that education give you a job that pays a higher wage than what you would've done if you did not get that education? Hopefully, the answer is yes. If it didn't, then you hope that at least what you're doing is something that's way more fun for you to do that you enjoy way more than the job you would've had otherwise.

What I tell people is, "Okay. Let's say that you work on being super frugal and you're making more money because you have more education. Now you just have a tax, you have a 10% tax on your earnings. If you can live frugally and save a lot of money, then you can get to that financial independence number faster than if you had a $40,000 job with a bachelor's degree in a generic subject." You just utilize that education to get to that savings number faster. Now that you're at the savings number, what's your ongoing cost of your student loans? All you have to do is pay that percentage of your income.
If you're getting primarily all your earnings from capital gains and dividends, then your taxable income could be almost nothing. If your taxable income's almost nothing, your student loan

payment is almost nothing. Then the consequence is you have to have the loans forgiven. You have to pay a tax on the forgiven balance, which means that in 20 years you're going to owe a lot in taxes.

All you need to do is have set aside some figure, like $50,000 to $100,000 in today's money, to cover any future tax bomb you can really think of. That's for a large amount. That's for like a six-figure debt amount. If you have a smaller debt amount than that, then you could do this with probably $10,000 or $20,000 stashed away in mutual funds to cover your tax bomb.

The only added costs on top of a normal person that needs to be financially independent and have 25 times their expenses and investments, the only added part to that formula is it's really 25X plus $50,000 to $100,000 for a six-figure borrower. For a five-figure borrower, it's 25X plus $10,000 to $20,000. That's the formula. The variable X is your expenses. It's your annual expenses.

Naturally, if you cut your annual expenses and increase your savings, not only do you have a lower number that you have to hit, your higher level of savings is also going to cause you to hit that number faster. That's one thing that I would tell somebody is if you have a very, very high savings rate, it doesn't matter that you have student loan debt, you can actually retire and stop working and be financially independent with a ton of student loans, even if your net worth is just moderately positive, because of this availability of having your student loans being able to be treated as a tax. That means that nobody is beyond the ability to become financially independent, no matter how much your student loan debt is.

Tim Mullooly: Let's say, a hypothetical situation, someone comes into your office with six-figures in debt. Let's say $100,000. What's like step one in that process for them? Is there a step by step guide that you walk people through to help build a plan for them?

Travis Hornsby: Yeah. There's a lot of things we would need to know. We'd have to know their savings. We'd have to know if they have credit card debt. What are you spending on your car and your house? What's your income? What's your future expected income? Are you working for a not-for-profit or government employer? Are you married? Will you become married? Do you have access to retirement accounts? What kind of retirement accounts do you have access to? What is your tax filing status currently? What could your tax filing status be? There's about 30 variables that we've honed in on after doing this thousands of times that we have found are extremely important to know how to answer that question.

It's unfortunately something that I can't give a one-size-fits-all answer to, but what I can say is I would first look at like, what is the person's goal? Is your goal to lower your payment? Is your goal to take an extended leave of absence from your job? Do you want to work full-time or part-time? Do you want to have kids? Do you want to buy a house? Do you want to retire at 50? What is your biggest financial dream? Once we know that, we can work backwards.

Once we know what your biggest financial dream is, then I can tell somebody, "Hey, you know what? Your current housing decisions are consistent with somebody that's going to retire at 65, not 50. If you want to retire at 50, that's possible, but you've got to make massive changes with those two items." Or, "Oh, you want to be done with student loans? That's fine. This is what you have to pay every month to get there. Are you comfortable paying that amount of money? Do you know what that would mean in terms of sacrifice for lifestyle?"

We'll go through all of that and just make sure that somebody's goals are something that they can actually be on track for. If you have a certain weight loss goal, you have to eat only a certain amount of calories a day and exercise. Think about it kind of like that where we're figuring out exactly what those inputs are that's going to get you to this desired output.

Tim Mullooly: Right. Yeah. As financial planners here too, we go through a similar process. Just that point of finding out the goals before you get going. You can't plan for something if you don't know what you're planning for.

I wanted to talk about one of the articles that I actually saw on your guys' blog. It was about student loan debt and how it can affect individual's mental health. Can you talk about that and why it's so important to solve these debt issues for people and the effects that it can have on their mental health and anxiety?

Travis Hornsby: Yeah. I think like one in 15 people in our survey had contemplated suicide because of their student loan debt. I think that rarely is student loan debt the only thing that causes somebody to think those thoughts, but it can be something that pushes somebody over the edge and makes somebody feel trapped. It makes you feel like you can't do any of the things that you've worked so hard to do. It feels like this massive burden and it's extremely stressful for somebody that has a lot of it especially.

That's kind of the reason why the service has been successful, honestly. If you think about it, like businesses that are really successful, they solve a pain. What is people's pain? They literally, in some cases, are even so hopeless that they're thinking about ending their own lives over this. That's a wake up call to the lawmakers out there that have created this crisis by making a student loan system that rewards unlimited borrowing and does not do anything to reduce the cost of higher education.

Hopefully, that's a wake up call to those folks, but in terms of the mental health issues, I would say that anybody that needs to talk to the National Suicide Hotline, if they've ever had a thought about committing suicide, they need to realize what that number is. I think it's 1-800-273-TALK, but I'm not 100% off the top of my head on that. Just Google that if you're even ever thinking about that. Get help. Talk to somebody. It's a normal thought to have, a lot more so than popular culture likes to make it seem. No, it doesn't make you a failure. No, it doesn't make you a bad physician or doctor or dentists or whatever. It's something that is a human feeling, and human feelings should not go unaddressed. They need to be discussed.

I would just say that for anybody who has ever thought that or knows somebody who's thought that, we actually even I think have another blog article that's like 11 anxiety destroying ways to think about your student loans that you can do besides like having a panic attack. It's like moving abroad, like utilizing loopholes, like filing taxes separately, like strategically using forbearance until your mental health is better. There's all kinds of things that you can do to not stress about your student loans if you just know the rules a little bit better.

Tim Mullooly: I also noticed that the Student Loan Planner has their own podcast as well. Do you want to tell the listeners about that podcast and what they might be able to look forward to if they tune in?

Travis Hornsby: Yeah. The Student Loan Planner podcast, you can search that basically anywhere where you're listening to podcasts, so it's available everywhere. The thing that I would say for that show that's helpful is you can go through each one of the shows and just download the ones that are relevant to you. I'm not going to pretend that somebody should go listen to all 50 of our episodes. That'd be scary. I had somebody that like recognized me in a bar once that was listening to the podcast. It was just kind of crazy. They're like, "Oh, I like binge listen to your shows on the way to driving to Chicago." I almost was like, "Well, shoot. Sorry. I hope you just listened to like a couple key ones, but-

Tim Mullooly: Right. Not all of them.

Travis Hornsby: Yeah, yeah. We talk about all kinds of stuff, like PSLF statistics. I just recorded an episode about that, like about the latest forgiveness stats and what those mean. We'll talk about financial independence and student loans. We'll talk about like an episode for people that are over 50. We have an episode for people that are looking to work part-time to spend more time with their kids that have huge balances. There's something for literally everyone and it gets super granular. Would definitely suggest searching and subscribing to that podcast if you have a lot of student loan debt.

Tim Mullooly: Yeah, absolutely. Again, that'll be in the show notes for those of you tuning in right now. You just brought up the Public Service Loan Forgiveness. I was going to ask about that because I did see a few articles on the site about that. Can you share briefly what that is for people who might not know what it is and the statistics you were referencing and how people might be able to utilize that?

Travis Hornsby: Yeah. You pay for 10 years based on your income and then you have your loans forgiven if you worked for a not-for-profit or government employer full time during those 10 years. It's a program that has gotten a lot of negative attention because it was designed very poorly and the kind of loans that you need to have to qualify didn't really get issued until 2010 in large numbers. A lot of people are being denied because you need 10 years of credit and it's not 2020 yet. All these people are getting denied and everybody's stressing out thinking the program isn't real when it is. It's just like a weird stupid thing.

Tim Mullooly: The timeframe is off kind of.

Travis Hornsby: Right. There's no issues with it right now in terms of like what's happening long-term with it. If you look at the stats, there's like 1.13 million people that have actually certified for it already. You've only had about 1200 people get forgiven so far and only about 90,000 have applied, but that rejection rate has fallen to below 99%.

The reason why it's 99% in the first place is, like I said, the people that are eligible are really not going to be eligible until 2020. It's just before 2010, it was like random undergrad institutions that just happened to offer direct federal loans, which was not at all the most popular option because I'm pretty sure some of these institutions were getting kickbacks for offering private loans. It was just very, very rare to have an institution that put people in direct loans in the first place.

It's just not something that anybody really needs to worry about. A lot of people are real worried, like, "Will it happen?" You don't need to worry about that. If you're worried about that, then you have a bad savings rate, is what I like to tell people.

Tim Mullooly: Right. I noticed on your website there's a tab for people before you have student debt. We've been talking, and like you mentioned, a lot of the cases are conversations that people already have the student loan debt, but what's that conversation like for people who talk to your company but don't yet have any debt?

Travis Hornsby: Yeah. We realized that there was a need for people to have consulting for before they took out any large student loans. We don't help for people that are going to undergrad. That's just more of like a FAFSA kind of a question. Where we can really help is for people that are considering going to a graduate school program, like an MBA, law school, med school, something like that. We just make plans for people that are projected to be in six-figures of debt.

We'll just make sure that they are not making any mistakes for how their borrowing. We'll tell them, "Hey, if you're doing ... If you're thinking about borrowing with private loans, you should not be. You should be using only federal." Or we'll tell them, "Hey, your parents taking out a mortgage to cover half of your loans is a really bad idea in your case." We'll explain to them what the income based programs will look like when they graduate so they can understand what they're committing to when they go to a school that costs a ton of money. Occasionally, we'll even try to dissuade somebody from attending a program. Again, that's the problem is we've done probably a few dozen of those plans and we've done several thousand the after the graduation plans. It's a case where we want to have that service available for people who are planning ahead kind of folks. The reality is we know that people deal with it when it's painful.

Tim Mullooly: Right. Yeah. Unfortunately, there are way more people who, like you said, deal with it when they're painful, but good to know that if there are planning-oriented folks out there, they can talk to someone beforehand as well. In terms of your own personal experience, what would you say has been the most impactful or the best financial lesson that you've ever learned?

Travis Hornsby: That's a good question. Probably just having a high savings rate. Just the importance of that. It's interesting to see how a high savings rate can beat anything. If you spend less than you make and you put that into index mutual funds, then things are going to work out better for you than 95% of Americans. It's just unbelievable how I think almost 70% of Americans don't have $10,000 in the bank. It's just kind of mind-blowing because you think about people, like 70% of Americans do not make less than $20,000 a year. It's just kind of mind-blowing. I think that's probably the best advice is just save and invest from a young age.

Tim Mullooly: Yeah. Last question I always like to ask the guests as I wrap up here, whether it's a professional thing or something in your personal life, what's been the best piece of advice that someone has ever given to you?

Travis Hornsby: Best piece of advice ever in any context?

Tim Mullooly: Yeah. It could be professional or personal, whether it was a work-related thing or something maybe your parents told you growing up that's kind of just always stuck with you.

Travis Hornsby: This is probably more of like a very personal thing. Something that's sort of like faith-based for me is probably whenever we've had trouble like in my relationship like with my wife or any kind of personal problems where I'm stressed or anxious, like just the suggestion from my pastor to just abide. For me, that just means like abiding in the word and the promises of the Christian faith. That's really helped me a lot.

I think that a lot of people meditate, a lot of people find that truth in their own faith. I think it can be ... Other people would have different answers to that, but for me, it's probably like whenever I get stressed out about the business or our finances or I gained a little bit of weight, it's kind of like I'm not really thinking about my faith and I'm not returning back to that. That's probably what I would say is the best advice period for me.

Tim Mullooly: Right. Yeah. And that can be applied to any type of faith or any type of beliefs. I feel like that's a great piece of advice to pass along and that's a good piece of advice to end on as well. Travis, that was all the questions that I had for you today. Thanks again for coming on the podcast.

Travis Hornsby: Yeah. I'll just say that if anybody wants to check out what we do, if that's okay to say, studentloanplanner.com/help explains how we help people. Then you can also see anything you can imagine on our blog if you visit the blog and just use the search bar in the blog section to see what kind of issues that you could be thinking about. We probably have written something about it.

Tim Mullooly: Absolutely. Listeners, be sure to go check that out. Like I said, everything will be in the show notes over at livingwithmoney.com as well if you want to find all these links too. Thanks for tuning into this episode of Living With Money. We'll catch you on the next one.