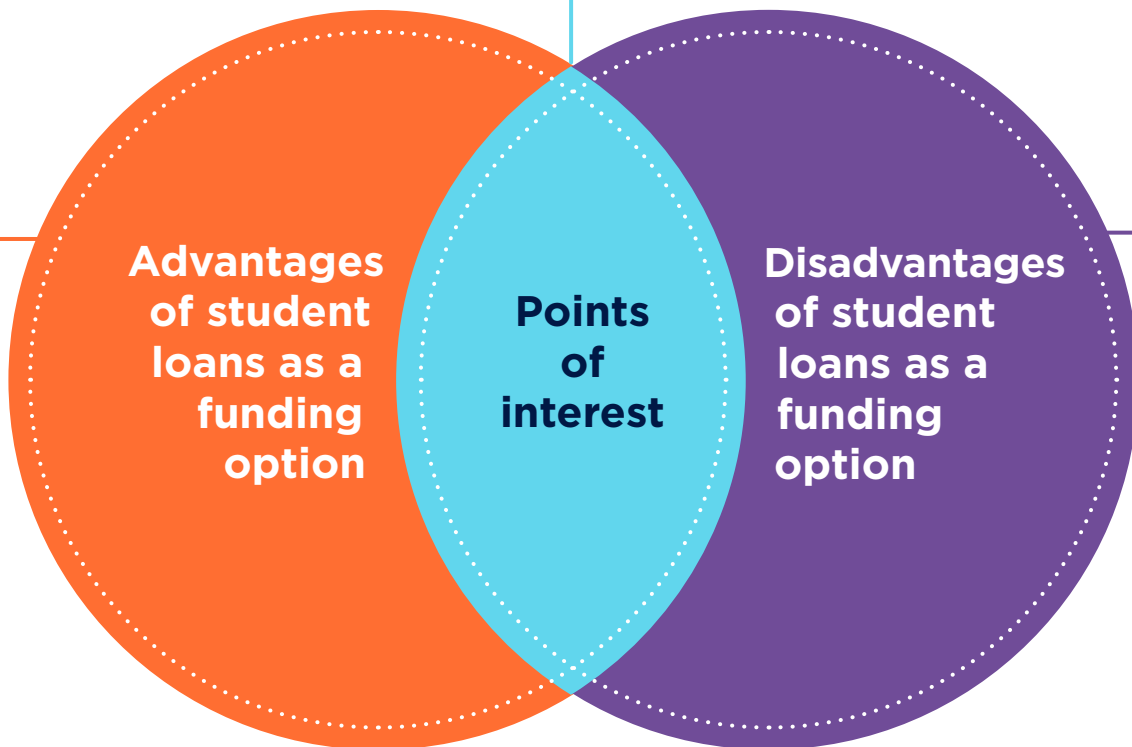


A major advantage of getting a student loan is that if you're a New Zealand-based borrower (i.e. you're not living overseas) your loan is interest-free. Many New Zealanders spend at least 10 to 15 years repaying their loan but there are no extra costs if it takes longer than this.

Another advantage is that you don't need to start paying it off until you're earning over a certain amount.

Having a student loan won't affect your credit rating, even if it's a large debt (you'll find out more about what a credit rating is and why it is important to have a good one in Topic Five).

Although at the moment student loans are interest-free, if you're living in Aotearoa New Zealand, interest rates and repayment terms on student loans can change at any time.



One disadvantage of getting a student loan is that you have to pay it back! Of course, that's true of any loan. Once you start earning over a certain amount, it's compulsory to start paying off your student loan. If you earn a wage or a salary the payments come straight out of your pay once you have selected the correct tax code (if you are working and studying at the same time you might be able to get an exemption from this).

In the 2022 tax year, the amount you can earn without making a loan repayment was changed to \$20,280 before tax, which is \$390 per week. 12 percent of any amount over this amount goes towards your student loan repayment. So, if a person with a student loan earns \$600 a week, their student loan repayments each week will be: $(\$600 - \$390) \times 0.12 = \$25.20$

Even without interest, it can still take many years to pay off a student loan, and having a percentage of your pay go towards your student loan can make things quite tight when you first start earning.

Another disadvantage of a student loan is that if you go overseas for more than 6 months, you'll need to pay interest on your loan. You can use this [IRD student loan repayment calculator](#) to work out how much interest you would pay if you are living overseas and have a student loan, for example, a \$20,000 loan.