

7 Financial Tips for New Teachers

Get a smart start on your finances with these essential money moves to help you manage everyday expenses, prepare for the unexpected and more.

By NEA Member Benefits

As you begin your career in education, not only will you be learning the ropes on the job, but you'll be faced with a variety of financial decisions that can affect you in the short term and well into retirement. Getting your bearings can be a bit daunting, particularly if you're unfamiliar with concepts such as 403(b) accounts, the PSLF program, or pensions.

The following information can help you navigate key financial issues more easily so you can focus on your students and yourself. You also can find out more about the [financial benefits we've tailored specifically for NEA members](#) to help you make smart money decisions.

1. Learn the details about repaying student loans—or having them canceled

Nearly half of educators have taken out student loans, with an average amount of debt of \$55,800, according to the NEA.¹ If you're among them, you'll generally have six months after graduation before you must begin repaying your loans.

The standard federal loan repayment period is 10 years. But if that's hard to swing on your salary, the federal government offers a variety of income-driven repayment plans based on your pay. In some cases, your payment might even be zero if your pay is low enough.

Teachers also may be eligible to have their federal education debt erased under the [Public Service Loan Forgiveness \(PSLF\)](#) program. To qualify, you must be employed full-time by a qualifying employer and make 120 on-time payments through an income-driven repayment plan. Any debt remaining after that will be erased.

Or, you may be eligible for the [Teacher Loan Forgiveness](#) program that cancels up to \$17,500 in federal student loans if you work five years in a low-income school.

You can find additional information on our ["Student Loan Debt" resources page](#), and run your numbers in the [NEA Student Debt Navigator tool](#) to learn more about your loan forgiveness options. Be sure to find out [what you need to know about student debt cancellation](#) to help ensure you'll be eligible for as much loan forgiveness as possible.

Be aware that repayment plans for private student loans are less generous than for federal student loans. [Refinancing](#) may be an option if you want to lower your monthly installments by finding a better interest rate or extending your total repayment period. If at any time you have trouble meeting your private loan payments, reach out to your lender immediately to learn your options.

2. Prepare for emergencies

Aim to put aside 3 to 6 months' worth of living expenses to be [prepared for emergencies](#), such as a job loss or an unexpected medical bill. To ensure this money is reserved for emergencies only, you can keep the cash in an interest-bearing savings account that's separate from the account you use for paying regular living expenses.

Consider the [NEA Smart Money Account](#), a federally insured mobile bank account that pays up to 0.55% APY, which is much higher than the national average of 0.06%, according to Bankrate.com. This banking benefit also has an optional investment component that allows savers to invest in two high-quality bond funds, but note that money invested there is not federally insured and has the potential for profit or loss.

3. Weigh your insurance needs

Many school districts offer life insurance to teachers at no cost as part of their benefits package. Policies typically range from \$10,000 to \$50,000. That coverage may be fine if you're single and no one else is dependent on your income. But if you [have children](#) (and future tuition bills) or if you will want to provide for a surviving spouse in the event of your passing, you most likely will need additional insurance. This [online calculator](#) can help determine how much coverage will work for you.

NEA Member Benefits has partnered with The Prudential Insurance Company of America to offer a [variety of plans](#) at discounted rates that can fit your needs.

Comparing auto and home insurance companies can lead you to a better deal and budget-friendly savings. While shopping around, consider the [NEA Auto & Home Insurance Program](#), which offers NEA members special rates that aren't available to the general public. Plus, these policies offer perks tailored to educators: being able to skip payments during the summer break; auto insurance that includes coverage for classroom supplies stolen from your car; and home insurance that covers your personal property while on the job, including instructional materials and laptops used for teaching.

4. Jump-start your retirement savings

Retiring may not be on your mind as you're entering the workforce, but saving up for that day should be a top priority now because it likely will be your largest financial responsibility for decades. And the earlier you start, the more likely you will be able to accrue a comfortable nest egg that allows you to retire comfortably on your schedule.

Here are two common options available to educators:

Traditional pension. Many public-school educators have a huge benefit that most workers in the private sector don't: a state pension that guarantees them a lifetime of regular payments in retirement. (Alaska is the only state where new teachers are ineligible for a state pension.²)

Pensions typically require a contribution from the state and employees. The median contribution from educators is 6.8% of pay, according to the NEA.

The money is pooled and professionally managed, so you don't have to worry about the best way to invest it. Once you work in the school system for, say, five or 10 years, you become "vested," meaning you are entitled to a pension in retirement.

The size of your monthly pension check is typically based on your age, pay and years of service at the time of your retirement. Your pension could have other perks, too, such as a cost-of-living adjustment in retirement, disability benefit, and a survivor benefit for your spouse.

Not all educators have access to a pension, and pension plan benefits can vary. Check with your school district to find out the specifics of what is (or isn't) available to you. And if you do switch to a different district, find out [what effect that move could have](#) on your pension payout and other benefits.

If you'll be relocating to a new state, be aware that the rules vary from state to state. Before you make a change, contact the NEA affiliate in both your current state and the one you're planning to move to so you can assess the impact of relocation on your benefits.

Defined contribution plan. Teachers and other workers in the non-profit and public sectors typically also have access to defined contribution plans, called 403(b) and 457 plans.

You determine how much of each paycheck goes into your account. Your contributions are made before taxes have been taken out, which reduces your taxable income and lowers your current tax bill. But you'll owe regular income tax on the money when you withdraw it in retirement.

It's up to you to decide where to invest your money. These [stock market investing basics](#) can help you understand your options. Retirement investment plans typically provide a selection of stock and bond mutual funds to choose from.

If you're unsure of how to invest, you could consider a target-date fund, if the plan offers one. You choose the fund with the date closest to when you expect to retire, say, a 2060 fund. From there, a professional manager handles the rest, from investing more aggressively when you're younger and choosing more conservative options as you near retirement.

The amount you accrue by retirement will depend on how well your investments perform and the amount of your contributions throughout your career. You can contribute up to \$20,500 in 2022 to a plan if you're under 50. Educators also may be eligible to contribute to both a 403(b) and 457 plan if they're offered, for a maximum of \$41,000 if under 50. If you're 50 or older, you can also contribute an extra \$6,500 in 2022 to each 403(b) and 457 plan.

With a 403(b) plan, you will pay a 10% penalty if you withdraw money before age 55 or 59½, depending on when you leave your job. With a 457 plan, you can take penalty-free withdrawals at any age once you leave your position.

Check out [An Educator's Guide to Retirement Income Planning](#), a free guide and 2-page checklist created specifically for NEA members, to learn about other investment accounts and teachers' eligibility for Social Security.

5. Take advantage of a tax break on school supplies

It's not uncommon for teachers to pay for classroom supplies out of their own pocket when school budgets are tight. In fact, Congress recognized this trend years ago and created a tax break that allows K-12 educators to deduct unreimbursed classroom expenses on their tax returns, even if they don't itemize.

For 2022, the deduction amount has increased for the first time. Previously the cap was \$250 per year. Teachers can deduct up to \$300 (or \$600 if they're married and filing a joint return with another eligible educator) in qualified expenses, such as books, software and computer equipment. They can also deduct money spent on COVID-19 protection products, including masks, hand sanitizers and disinfectant.

Make your school supply dollars stretch even further by signing up for the [NEA Office & Classroom Supplies](#) program to save money on thousands of products from computers and printers to classroom decorations and cleaning supplies.

6. Be prepared if you're laid off

A recession, budget cuts or some other event could lead to a layoff or a reduction in hours. If that ever happens to you, it's important to take steps that can lessen the financial impact and help you land that next job.

Reach out to human resources to find out what happens to your benefits, how long your health insurance coverage continues, and if any job placement assistance is available. Apply for unemployment benefits through your state.

Use our [Job Layoff Checklist for Public-School Employees](#) for more actions to take following a layoff. If you participate in our benefits programs, check to [see which partners can work with you](#) to make financial accommodations if you get laid off.

7. Set up your budget and stick to it

Whether you're still at home after graduation or [living in an apartment](#), it's important to make sure you're building good money habits. You can use our [free budget-building guide](#) for advice and a checklist to get started thinking about all of your monthly and annual financial obligations. Think about ways you can [trim back your regular bills](#) and additional expenses such as [dining out](#).

Paying your bills on time every month is very important to your buying power because late payments typically result in a negative mark on your credit report. Having a lower [credit score](#) can affect your future financial options, such as being offered higher interest rates on loans or having difficulty getting approved for an [apartment lease](#).

¹ [Student Loan Debt Among Educators: A National Crisis](#), National Education Association, July 2021.

² [An Educator's Guide to Retirement Income Planning](#), NEA Member Benefits, October 2020.

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