

CPI compared to 10 year bond rate for a graduate with a \$30,000 HELP debt

The table below shows how the different indexation rates impact on the amount paid and the time taken to repay a HELP loan. The table relates to a student completing in 2019 who enters the workforce with an average graduate salary and continues to work until the loan is repaid. It is assumed that the person's salary increases at 10 per cent per year for years 2-4 and at three per cent per year after that. This example is similar to the situation faced by a teacher.

The table shows that someone who graduates this year and has a starting HELP debt of \$30,000 will pay around \$3900 more under the bond indexation arrangement than they would under the CPI indexation arrangement, and will take one more year to pay off their loan.

Key facts			
	CPI	Bond rate	Difference
HELP Debt on workforce entry	\$30,000	\$30,000	-
Starting salary	\$67,848	\$67,848	-
Total debt + interest repaid	\$33,451	\$37,393	\$3,942
Years to repay from commencement of repayment	8	9	1 year
Average amount paid to the ATO for HELP (per year) from completion of degree (excluding final small payment)	\$4364	\$4517	\$153
Average amount paid to the ATO for HELP (per week)	\$84	\$87	\$3

CPI compared to 10 year bond rate for a graduate with a \$40,000 HELP debt

The table below shows how the different indexation rates impact on the amount paid and the time taken to repay a HELP loan. The table relates to a student completing in 2019 who enters the workforce with an average graduate salary and continues to work until the loan is repaid. It is assumed that the person's salary increases at 10 per cent per year for years 2-4 and at three per cent per year after that. This example is similar to the situation faced by a teacher.

The table shows that someone who graduates this year and has a starting HELP debt of \$40,000 will pay around \$14,000 more under the bond indexation arrangement than they would under the CPI indexation arrangement, and will take two more years to pay off their loan.

Key facts			
	CPI	Bond rate	Difference
HELP Debt on workforce entry	\$40,000	\$40,000	-
Starting salary	\$67,848	\$67,848	-
Total debt + interest repaid	\$46,162	\$60,225	\$14,063
Years to repay from commencement of repayment	10	12	2 years
Average amount paid to the ATO for HELP (per year) from completion of degree (excluding final small payment)	\$4655	\$4903	\$248
Average amount paid to the ATO for HELP (per week)	\$90	\$94	\$5