

Student Debt Relief

Bill Proposal Suggests Employers Offer Retirement Plan Match While Students Pay Off Debt

The Senate introduced a bill in April 2021 to make it easier for people to pay on student loans while saving for retirement to try to eliminate the dilemma of having to choose one financial goal over the other.

Dubbed “The Retirement Parity for Student Loans Act,” employers with 401(k), 403(b), SIMPLE and governmental 457(b) retirement plans would be allowed to make matching contributions to workers as if the workers’ student loan payments were salary reduction contributions.¹

Essentially recent graduates can make student loan repayments while still receiving an employer match on their retirement contribution. Keeping in mind that the matching contribution is up to the discretion of the employer.

It is good news for employees that the American Retirement Association supports this bill and this issue has been brought to light, as student loan debt in the United States, according to 2021 educational statistics, is \$1.71 trillion and grows six times faster than the nation’s economy.²

How Employer Match Would Be Calculated

According to the proposed bill, a worker must certify the amount of student loan repayments that have been made during a plan year to receive the benefit. And for the employer to determine the employer match, if a 401(k) plan provides a 100% matching contribution on the first 5% of salary reduction contributions made by a worker, for example, then a 100% matching contribution

must be made for student loan repayments equal to 5% of the worker’s pay,” according to a summary of the bill.³

Special rules apply if a worker makes both salary reduction contributions and student loan repayments. In that instance, student loan repayments are only considered to the extent that the worker has not made the maximum annual contribution to the retirement plan. For example, the annual maximum contribution limit per worker to a defined contribution plan is generally \$19,500 for 2021, the bill summary states.³

Current Legislation Offering Debt Relief

In other news related to COVID legislation and student loans, earlier this year, Congress passed the American Rescue Plan, which eliminates taxes on forgiven student loans. This measure expires in 2025.



Most of the relief for student loan borrowers was included in the CARES Act, which was enacted in March 2020. New benefits have been added with each subsequent bill. In January 2020, President Biden extended the CARES Act's student loan repayment and interest pause to September 30, 2021. The pause was originally set to expire on January 31, 2021. In addition, employers who contribute to their employees' student loans receive a tax break up to \$5,250 through 2025.⁴

Should You Offer a Student Loan Relief Program?⁵

- **Before you offer a plan as part of an employee financial wellness program, plan ahead for how you'll measure its success.** The benefits may be that it's a good recruiting tool as students seek employers who will offer debt relief strategies. It could also help reduce employee turnover and helping employees reduce the stress and lack of productivity that can result from worrying about finances.
- **Consider whether it makes sense given your job requirements.** Do most of the jobs you offer require a college degree? Or do a higher percentage of jobs not require a degree? If so, offering a debt relief program may not be necessary.

- **Define employment requirements in exchange for debt support.** As a plan sponsor, you may want to require that employees who receive student debt relief commit to remaining with the company for a period of up to five years. Employees who choose to leave the company before the commitment period ends would have to repay the student debt contributions they received. You could also place annual or lifetime maximums on student loan benefits as a further means of controlling costs.

Work With Your Retirement Team

As you consider programs that support employee well-being, adding a student debt relief program may be worth considering. It could potentially pay off in the long run with employee retention and greater productivity.

At Mariner Wealth Advisors, your retirement plan solutions team is here to discuss and explore your options to promote greater financial well-being and retirement readiness for your employees.

For more information visit: marinerwealthadvisors.com

Sources:

¹ ["ARA Endorses Student Loan Debt Bill"](#)

² [Student Loan Debt Statistics](#)

³ ["Senate Bill Would Help Workers Build 401\(k\)'s"](#)

⁴ ["Legislation Extends Student Loan Benefits"](#)

⁵ ["Employers Should Do Their Homework"](#)

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The Retirement Parity for Student Loans Act discussed is proposed at this time and any final laws or regulations passed may vary significantly from the proposed.

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