

# Student Loan Repayment:

## How Plan Sponsors Can Help



The Senate introduced a bill in April 2021 to make it easier for people to pay on student loans while saving for retirement. The proposed bill is currently with the Committee on Finance and is supported by industry groups such as the American Retirement Association.

### How Student Loan Relief Bill Would Work

If passed, the legislation would allow employers with 401(k), 403(b), SIMPLE and governmental 457(b) retirement plans to make matching contributions to workers as if the workers' student loan payments were salary reduction contributions.

Essentially recent graduates can make student loan repayments while still receiving an employer match on their retirement contribution. Keep in mind that the matching contribution would be up to the employer's discretion.

### Soaring Student Loan Debt Continues

Clearly a bill such as this one is needed, because some students have significant loans that follow them into their professional lives. This makes saving for other goals, like retirement and buying a first home, challenging. U.S. student loan debt swelled to \$1.61 trillion in the fourth quarter of 2021 and is growing six times faster than the nation's economy. Furthermore, 43.4 million borrowers have federal student loan debt with an average balance of \$37,113.<sup>1</sup>

### So Far, There's Little Guidance

Because little guidance has been provided by the government on what kind of federal student loan forgiveness and cancellation events are specifically covered or not covered by the temporary tax

provision, students and their parents should consult with a tax professional.

In addition, the IRS has not made clear which types of private student loan cancellation events (such as settlements) would be covered under the American Rescue Plan Act, so it may be wise for borrowers to assume the event is taxable unless they are specifically advised otherwise by a qualified tax professional.

Keep in mind that some states may treat student loan forgiveness differently for tax purposes than the federal government, and tax treatment may vary by state and be based on the type of loan forgiveness and when the loan forgiveness occurred.



### Student Loan Repayment Deadline Extended

President Biden once again extended the deadline from Jan. 31, 2022 to May 1, 2022 for pausing

student loan repayments due to ongoing pandemic-related challenges. This means payments will not resume until mid-2022, and interest rates will remain at 0%.<sup>3</sup>

## How Plan Sponsors Can Help Individuals Plan Ahead

Students should make a repayment plan now, because any student loan debt they had before the pandemic will be waiting for them in May. Plan sponsors can help by providing financial education around topics like, how to pay down high-interest debt, creating a budget and building an emergency fund. They can also encourage individuals to maximize retirement plan contributions before student loan payments resume.

## Should Plan Sponsors Offer a Student Loan Relief Program?

- 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 help you promote greater financial well-being and retirement readiness for your employees.

For more information visit: [marinerwealthadvisors.com](https://marinerwealthadvisors.com)

### Sources:

<sup>1</sup> "[Student Loan Debt Statistics](#)"

<sup>2</sup> "[Is Student Loan Taxable in 2022?](#)"

<sup>3</sup> "[President Biden Extended the Student Loan Payment Freeze](#)"

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