Student Loan Assistance for Financial Wellness:

Beneficial to Employer and Employee

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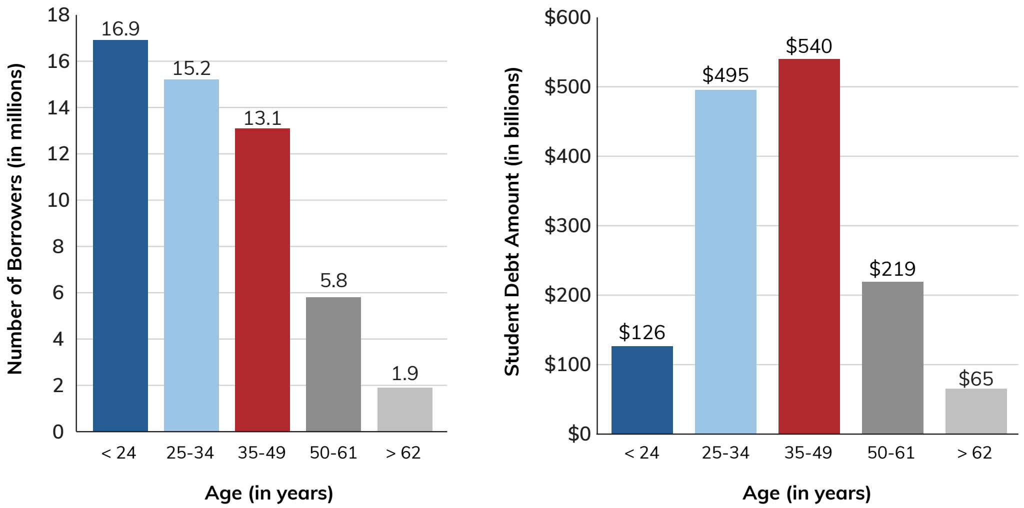
Student debt is a multi-generational socio-economic problem for millions of working-aged Americans. Consider the following: According to the United States Department of Education's Federal Student Aid (FSA) office, which manages the $1.5 trillion student debt portfolio, borrowers aged 25 to 49 are carrying 70% of the nation's debt (see Figure 1).[1] Given that the majority of debt holders are under the age of 24 and haven't even begun their repayment because they're still in school, student debt will likely continue to be an issue for many years to come.

FIGURE 1. **Student Loan Benefits: A Multi-Generational Problem**



Source: United States Department of Education, Federal Student Aid office

This debt negatively affects home buying, purchasing power, consumer confidence, retirement, 529 savings – and even individuals' dreams and accomplishments. Many factors have contributed to this "perfect storm," which unfortunately leaves many borrowers struggling with debt in its wake.

Since 2010, college costs have risen at twice the pace of inflation.[2] What's more, the Federal government became the only student loan lender following The Great Recession, which expanded the Federal student loan program. As a result, it took only eight years for Federal student debt to reach $1.5 trillion.[3] It took 40 years to get to $500 Billion; but between 2010 and 2018 it grew to $1.5 trillion.

As employers continue to recruit and hire college graduates, they are creating an employee subset that is likely to carry significant debt. The average 2018 graduate accumulated $29,800 worth of private and federal debt while in school. All told, Americans owe approximately $1.5 trillion in Federal student loan debt, spread among 43 million borrowers.[4]

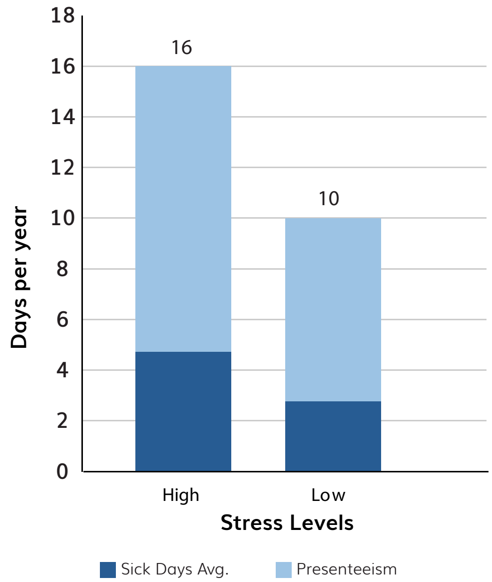
[1] Federal Student Loan Portfolio. https://studentaid.ed.gov/sa/about/data-center/student/portfolio
[2] Clark, K. Understanding the Skyrocketing Costs of College. The Balance. https://www.thebalance.com/rising-cost-college-education-795383
[3] Federal Reserve Bank of New York. Quarterly Report on Household Debt and Credit. https://www.newyorkfed.org/microeconomics/topics/student-debt
[4] Federal Student Loan Portfolio. https://studentaid.ed.gov/sa/about/data-center/student/portfolio

The Day to Day Impact

Employers are apt to recruit workers carrying significant debt. This debt makes workers less productive due to the financial strain of repaying their high debt balances. Money is frequently cited as a leading source of stress. People that report high levels of debt often suffer from stress-related illnesses such as ulcers, migraines, back pain, anxiety, depression and heart attacks[5] – all of which lead to significant absenteeism and presenteeism (aka, working while sick).

Workers who identify as "highly stressed" take an average of 4.6 sick days per year, compared to just 2.6 days for employees reporting low stress levels (see Figure 2). Presenteeism levels are also higher for highly stressed employees (16 days per year) compared to employees with low stress (10 days per year), according to a study from Towers Watson.[6]

FIGURE 2.
Impact of Financial Stress on Productivity



Source: Towers Watson

Elements of a Student Loan Management Program

Student loan management programs can help employees with many aspects of debt repayment management, such as:

- Repayment planning
- Concierge advisory services
- Employer contributions
- Refinance
- Family benefits
- Delinquency/default assistance

A study conducted by Financial Finesse shows that employers can reduce costs by helping employees improve overall financial wellness and reduce financial stress. The research points to a case study that illustrates how a Fortune 100 company was able to reduce costs related to absenteeism, payroll taxes and delayed retirement by helping employees improve their own financial wellness.[7]

Employers can add student loan management benefits to their voluntary benefits package as a personal financial wellness tool. Such initiatives offer a variety of services (see sidebar), all of which are designed to help employees better manage their finances, particularly around student debt. Employees who feel that their employer cares about their future are likely to be more loyal. This increases retention, reduces turnover costs and increases productivity, regardless of the type of industry.

[5] Soong, G. The Debt-Stress Connection. WebMD. https://www.webmd.com/balance/features/the-debt-stress-connection#1
[6] Higginbottom, K. Workplace Stress Leads to Less Productive Employees. Forbes. https://www.forbes.com/sites/karenhigginbottom/2014/09/11/workplace-stress-leads-to-less-productive-employees/#518e3dea31d1
[7] Financial Finesse. ROI Special Report, 2016. https://ffinesse.app.box.com/v/2016-ROI-Report

The Numbers and the Opportunity

But, here's the rub: Only 11% of employers offer student loan assistance programs, according to a recent study conducted by SourceMedia/Employee Benefit News (see Methodology and Figure 3). Unfortunately small employers, who struggle to attract talent, are even less likely to offer student loan assistance benefits. Just 10% of employers with less than 1,000 employees offer the benefit, compared to 16% of employers with more than 1,000 employees. Student loan assistance is an emerging benefit and companies are just realizing that there are ways to help employees with student debt beyond repayment contributions.

FIGURE 3. Benefits Companies Currently Offer

Benefits related to student loans:

	Company offers
Tuition assistance/reimbursement	28%
Financial/credit management	12%
Student loan assistance	11%

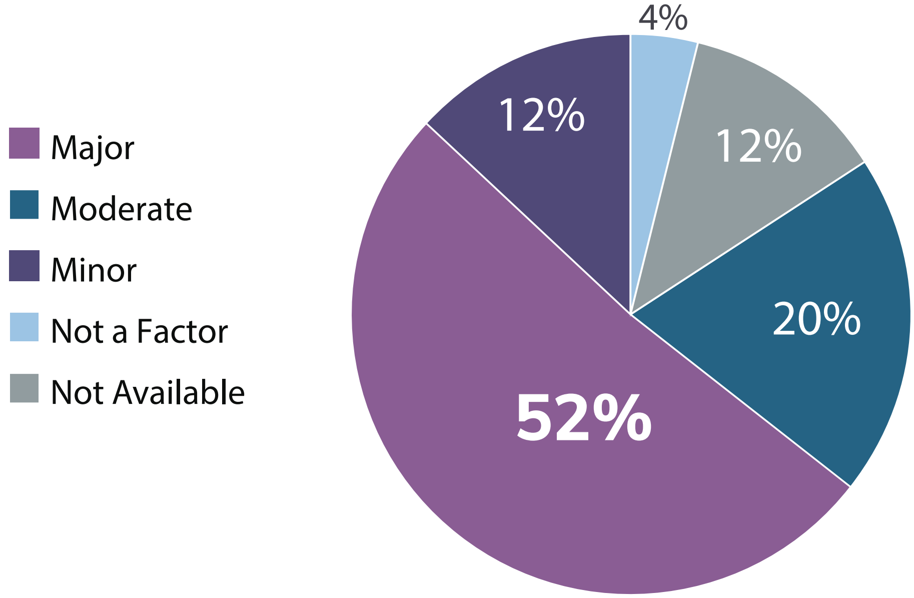
Health insurance	83%
Vacation time	73%
Retirement (401k)	70%
Dental insurance	68%
Vision insurance	62%
Life insurance	60%
Health, fitness and wellness incentive programs	32%
Employee assistance programs	30%
Flexibility to work remotely	23%
Health club memberships or on-site gyms	14%
On-site health clinics	12%
Telemedicine	9%
Fertility coverage and wellness	7%
Catered meals	7%
Childcare	7%
Identity theft protection	7%

Low incidence **High incidence**

Source: SourceMedia Research/Employee Benefit News, December 2018

There are many reasons why student loan assistance is growing in popularity among employers-of-choice. To start, of the employees who take advantage of student loan assistance programs, 52% say that it was a major factor in attracting them to their current company (see Figure 4). This makes student loan assistance a more important "recruiting" benefit than many other common benefits, such as vacation time (which was cited by 50% as a major factor), flexibility to work remotely (48%), dental insurance (43%) and vision insurance (42%).

FIGURE 4. **Factor Level Student Loan Assistance Had in Attracting Employee to Current Company**



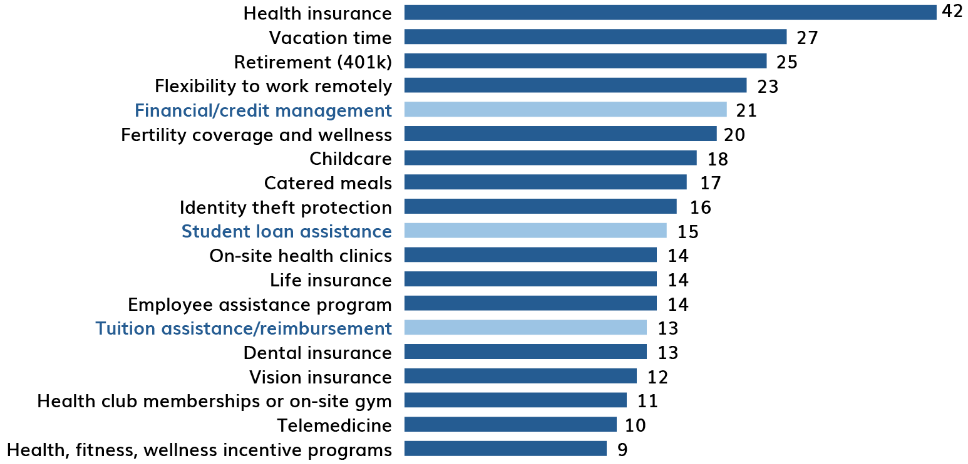
In fact, student loan assistance is more important in attracting employees than some other non-standard benefits, such as fertility coverage and wellness (50%), health club memberships or on-site gyms (25%) and catered meals (21%).

Student loan assistance falls in the middle of the pack in terms of how much it would be missed if all benefits were eliminated, landing below health insurance and above health, fitness and wellness incentive programs. In addition, student loan assistance would be missed even more than standard benefits, such as life insurance, dental insurance and vision insurance – all of which are more commonly included in employers' benefits programs (see Figure 5). Most important, now that student loan debt is the second largest debt for American households,[8] credit and financial management benefits accounting for 56% of demand must include assistance to help manage student debt. Employers offering student loan assistance programs are realizing that employees value the repayment management features of these programs the most.

[8] Brown. M. Et. Al. Do We Know What We Owe? Consumer Debt as Reported by Borrowers and Lenders. https://www.newyorkfed.org/medialibrary/media/research/epr/eprvol21no1/epr_2015_com parisons_brown.pdf

Employers are not meeting the demand for benefits related to student loans.

FIGURE 5. **What Employees Would Miss by Percentage if all Benefits Were Eliminated**



Source: SourceMedia Research, December 2018

54% rank having the ability to manage repayment as extremely/very important, while 50% rank employer contributions as extremely/very important. The key takeaway from this comparison: Employers can confidently move forward with student loan assistance programs knowing that they offer employees value, even when employers do not make a monetary contribution toward repayment.

Employees – Young and Old – Value Student Loan Assistance Programs

The value of these assistance programs can be seen across age groups. Young employees, ages 21 to 39, are likely to be concerned with financial challenges, such as paying rent or a mortgage, establishing a budget, and supporting a family. To optimally address these challenges, young professionals are seeking employers who provide help managing educational debt. 44% of this age group cite student loan assistance as a major factor in attracting them to their current company. These young employees consider student loan assistance a more important factor in signing on with a company than other benefits, such as catered meals (23%), dental insurance (43%) and employee assistance programs (43%).

In addition, student loan assistance programs enhance employee retention, as 27% of these young employees report that they are likely to stay in the job for five or more years due to student loan assistance. In fact, student loan assistance is a top non-standard driver for employees, ages 21 to 39, when they look to change companies and when they consider staying on in their current positions (see Figure 6).

FIGURE 6. **Benefit Drivers Among Employees Ages 21 to 39**

	Benefit driver in changing companies
Fertility coverage and wellness	1.39
Childcare	1.35
Student loan assistance	1.31
Tuition assistance/ reimbursement	1.29
Identity theft protection	1.26
Health club memberships or on-site gym	1.24
Catered meals	1.19
On-site health clinics	1.17
Employee assistance program	1.16
Financial/credit management	1.15
Health, fitness and wellness incentive program	1.13
Telemedicine	1.13

	Benefit driver in staying at company
Childcare	1.30
Student loan assistance	1.29
Tuition assistance/ reimbursement	1.26
Fertility coverage and wellness	1.20
Health club memberships or on-site gym	1.16
Identity theft protection	1.16
Health, fitness and wellness incentive programs	1.15
On-site health clinics	1.15
Catered meals	1.14
Employee assistance program	1.13
Telemedicine	1.10
Financial/credit management	1.06

Low driver — High driver

Source: SourceMedia Research, December 2018

Student loan assistance is often thought of as a benefit targeting younger employees, yet survey results show that the benefit is actually held in higher regard by employees ages 40 to 59 and over 60. 71% of 40 to 59-year-olds cite student loan assistance as a major factor in attracting them to their current company, a significantly higher percentage than was cited by millennials.

The benefit emerges as a more important factor in choosing a company than many other commonly offered benefits. In fact, employees in this age group cite student loan assistance more frequently as a major factor in choosing to sign on with their companies than they cite standard benefits, such as health insurance (68%) and retirement/401k programs (58%). Student loan assistance was ranked as significantly more important than benefits such as catered meals (13%), dental insurance (45%), employee assistance programs (29%), fertility coverage and wellness (38%), financial credit management (33%), flexibility to work remotely (41%) and health club memberships (22%) (see Figure 6).

What's more, 80% of those over 60 and 50% of those ages 41 to 59 are likely to stay more than five years with their current employer due to student loan assistance programs. High regard for student loan assistance among older employees makes sense considering the financial pressures that this age group deals with. Many of these employees are concerned with managing college costs for themselves or their dependents, while simultaneously saving for retirement.

In some cases, older employees are also going back to school to keep their job skills relevant and are searching for a way to manage the costs associated with this education. According to the National Center for Education Statistics, students ages 25 and older accounted for roughly 40% of all college and graduate students in the year 2009 and that number is expected to rise at least 3% by 2020, with over 9.6 million nontraditional students heading to college.[9] Ironically, more than 66 members of the United States Congress carry over $2.5 million in student loan debt – some for themselves, some for their children in college.[10]

Employers should remember that they can tie student loan assistance to retirement planning and savings. As such, employees can contribute the optimal amount to each account, making it possible to most expediently pay down debt while most effectively save for their golden years. What's more, student loan assistance will take priority over a 401k since paying down debt is more prudent to young people than saving for retirement.

40% of student loan borrowers are expected to default on their student loans by 2023.

Employees need benefits that help with student debt repayment.

Student loan management is a complex undertaking many employees struggle with or avoid all together. In fact, 40% of student loan borrowers are expected to default on their student loans by 2023, according to a report from the Urban Institute.[11] The SourceMedia Research survey results indicate that employers can help by adding student loan assistance programs to their employee benefits packages.

Recommendations

Popular with younger and older workers alike, student loan assistance can play a key role in recruitment and retention by helping employees reduce financial stress. When implementing student loan assistance, ask the following from the benefits provider to ensure the solution effectively serves your employees:

- Does the benefit provide the type of repayment assistance my employees need, such as refinancing, contribution, and overall financial wellness?
- Does the benefit deliver delinquency/default recovery assistance?
- Does the benefit include concierge advising to employees and their families?
- How does the benefit include a way to measure the return on investment?

Not all student loan benefits are alike. Employees are not only carrying larger amounts of debt, but many are at risk of defaulting. Offering student loan assistance is now a necessary benefit to help employees improve their financial wellness.

[9] National Center for Education Statistics. Definitions and Data. https://nces.ed.gov/pubs/web/97578e.asp

[10] Roll Call. Member of Congress are rich with student debt. https://www.rollcall.com/news/congress/members-of-congress-are-rich-with-student-debt

[11] Urban Institute. Underwater on Student Debt. https://www.urban.org/sites/default/files/publication/98884/underwater_on_student_debt.pdf

Methodology

In November and December of 2018, SourceMedia Research/Employee Benefit News conducted an online survey commissioned by IonTuition. Respondents include 1,101 benefits eligible part-time and full-time employees at both large (more than 1,000 employees) and small (less than 1,000 employees) companies. Questions addressed current benefit offerings and employees' perceptions about these offerings.

About IonTuition

Employers are looking to offer student loan benefits as a way to recruit and retain the new generation of workers. IonTuition is a full-service solution complete with online repayment management, contributions, refinancing, and concierge advisors. Since it's an online platform, implementation is completed in a matter of days or weeks instead of months. Reach out to IonTuition today to request a demo: iontuition.com/contact

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