



Talent Perspective: Student Loan Repayment Benefits in the Workplace

IonTuition's 2016 survey of employed student loan borrowers provides insight into employer-sponsored student loan benefits



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Understanding Student Loan Benefits



We surveyed 2,712 employed adults in the U.S. who funded their higher education using student loans to find out how they felt about repayment assistance as a benefit.

IonTuition wanted to know how benefits tailored to the needs of a talent pool burdened with student debt would be received

Incorporating modern benefits such as student loan assistance into employee benefits packages is proving to be a key differentiator in attracting and retaining top talent. More companies require a college educated workforce than ever before and student loan debt is an ever-increasing priority for recent graduates entering today's competitive workforce.

Over [70%](#) of college graduates leave school with student loan debt. The average balance

of an individual borrower now exceeds \$37,000. It's not surprising that student loan repayment benefits have become a popular topic in the benefits world.

To help clarify both the importance of student loan assistance and its relevance to your recruiting and retention efforts, IonTuition has performed this survey of more than 2,700 employed adults with experience borrowing to fund higher education.

Student Loan Benefit Types

In this report we refer to student loan benefits primarily with regard to their four most common archetypes. While this is an evolving benefit focus and there are numerous alternative approaches possible, the benefit types we have selected to highlight represent a range of these alternatives and generally include all widely-available options today. Student loan payment contribution programs, in particular, have been catching the attention of employers in recent months.

Payment Contribution

Payment contribution has been an area of increasing interest recently, as companies compete to recruit talent that almost inevitably carries student loan debt. Often taking the form of monthly payment matching, this allows businesses to assist with employees' student loan payments.

This reduces financial stress by covering a portion of the employee's student loan debt either through matching payments or a similar contribution mechanism.

Tuition Reimbursement

Tuition reimbursement allows businesses to assist their employees in developing their skills. This generally takes the form of monetary contributions covering some or all of the expenses associated with an approved education track.

This is the most well-established type of student loan benefit program and is beneficial for companies in a position to invest significant time and resources into building their existing employees' skills to meet anticipated business needs.

Repayment Planning

Repayment planning, and financial planning in general, range from on-demand financial counseling to web-based repayment management platforms. These benefits help the employee manage their student loans and optimize their repayment.

While repayment planning is an important complement to other forms of student loan benefits, much as retirement planning is part of a good 401(k) program, it is a fairly low-investment/high-reward option that can function even as a standalone program.

Student Loan Refinancing

Refinancing programs can be valuable for select employees with strong credit and secure long-term employment prospects. They allow businesses to assist in reducing an employee's interest rates, although it's important to note that refinancing federal student loans removes access to many borrower rights and protections such as income driven repayment plans, loan forgiveness, and deferments.

As that tradeoff becomes widely known, refinancing seems to be falling into disuse.

Methodology

Understanding how we collected and analyzed the data

IonTuition surveyed 2,712 currently-employed adults who have taken out student loans to fund their higher education. We asked them about their personal financial stability, their experiences with paying back student loan debt, and their opinions on how employers could best offer assistance or guidance throughout the repayment process. Respondents came from a variety of specializations, industries, and educational backgrounds.

In order to avoid confusion between two similarly-perceived benefit types, “student loan matching contributions” was defined for respondents as a monetary contribution towards an employee’s existing student loan debt and explicitly did not include tuition reimbursement for current students. This made it possible to draw a distinction between the two and get a better picture of how employees perceive their situation.

References to “credit score” in this report refer to FICO scores and respondent perceptions thereof. IonTuition understands and acknowledges that there are numerous credit score methodologies in use, as well as many variations on the FICO score in particular. As this survey is primarily interested in respondents’ subjective experience, we have simplified the topic and do not represent that our methods address all possible nuances of the subject matter.

Note: Due to rounding, multiple-selection survey questions, and/or filters based on applicability, percentages and respondent counts do not always appear to match. In some cases percentages will not total 100%. In others the number of total respondent choices does not equal 2,712.

Demographics

Who was included in this survey?

Our respondent pool includes a range of individuals with varying ages, income levels, industries, specializations, and educational backgrounds.

General

- The majority (71.9%) of our respondents qualify as millennials (born 1980 or later)
- Our respondent pool is **43% male** and **56.7% female**

Education

- Most respondents (65.4%) are college graduates
- **20.5%** of respondents are currently enrolled in college
- Some respondents (12.9%) report that they are enrolled, but have not taken classes in over a year

Income

- **34.3%** of our respondents earn \$25,000 or less annually
- **Nearly 40%** (38.2%) have a salary of \$25,000-\$50,000
- **27.4%** have an annual salary of \$50,001 or more

Employment

- **30%** of respondents work for a company with 1,000+ employees
- **22%** work for small businesses with <100 employees
- Respondents were drawn from all across the professional spectrum with no single field representing more than 14% of participants. The five fields best represented were:
 - #1 Education and training
 - #2 Marketing, sales, and service
 - #3 Healthcare
 - #4 Information technology
 - #5 Finance

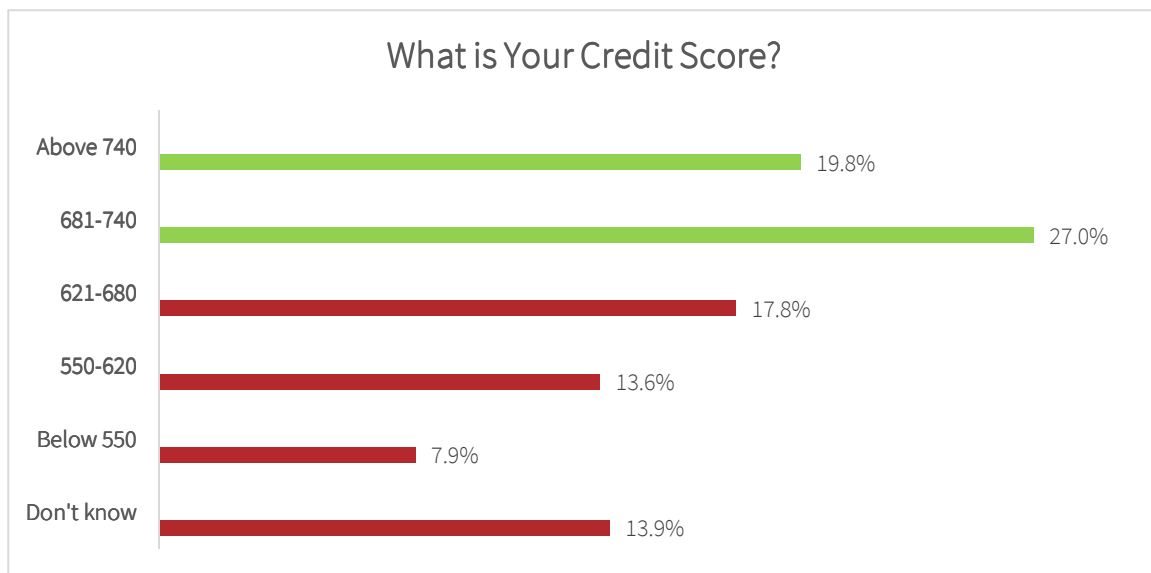
Credit Scores & Refinancing

Refinancing is often seen as the simplest and most easily marketed benefit solution for making student loan repayment more affordable. Popular news media often focuses on the lack of refinancing options available to federal student loan borrowers and the benefits that might be found in giving a borrower the opportunity to refinance at a lower rate. As our results show, this form of student loan benefit may be of limited usefulness for most employees.

Taking a deeper look at how people perceive their credit

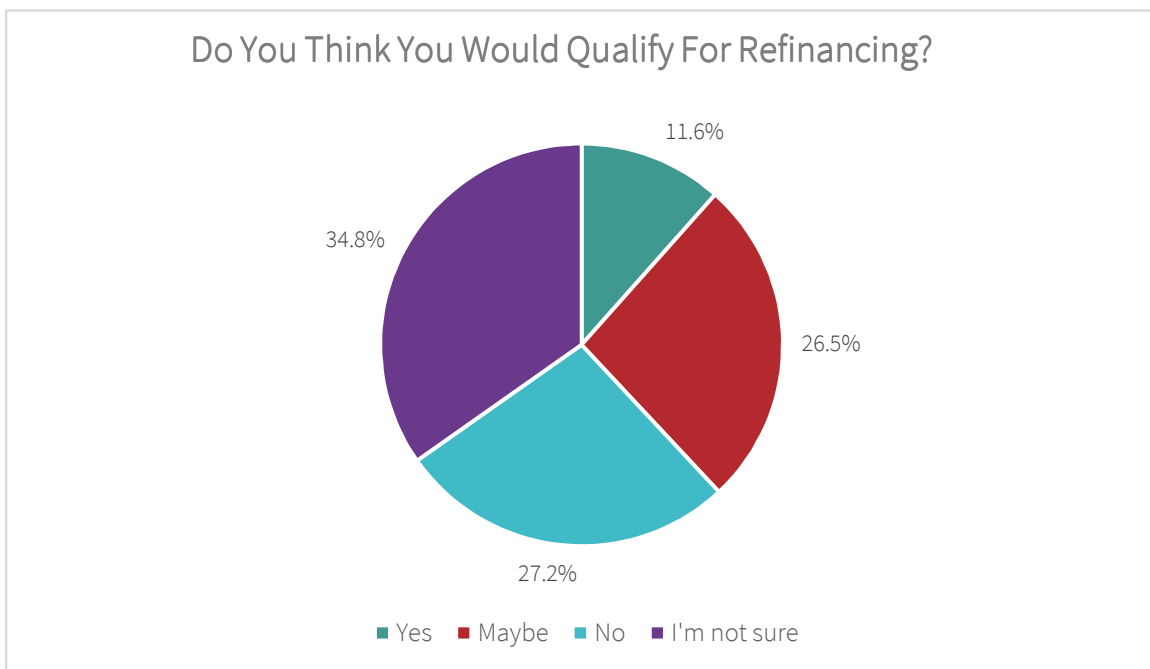
Fewer than half of respondents surveyed (46.8%) have a credit score above 680, which is often regarded as the “magic number” to qualify for highly-beneficial, lower interest rate loans.

Nearly 14% of respondents have no idea what their credit score is; of these, about one in five (19.2%) wasn’t even willing to make a guess at whether their score is likely to be good or bad.



Credit Scores & Refinancing (Cont.)

More than half of the respondents surveyed (53.2%) report a credit score below 680. We isolated this group of responses to get a better look at their understanding of student loan refinancing.



38.1% of respondents with credit scores lower than 680 believe they may qualify for student loan refinancing. Most refinancing programs currently available as employee benefits would classify these employees as ineligible to participate.

Student loan refinancing is a benefit that can only be made available to a narrow subset of most business's staff as a result of credit score requirements. Among these employees, only those who are willing to lose their federal student loan repayment protections in favor of lower interest rates are likely to participate. At many companies this may create a negative environment wherein only those employees least likely to need the benefit are eligible to take advantage of it.

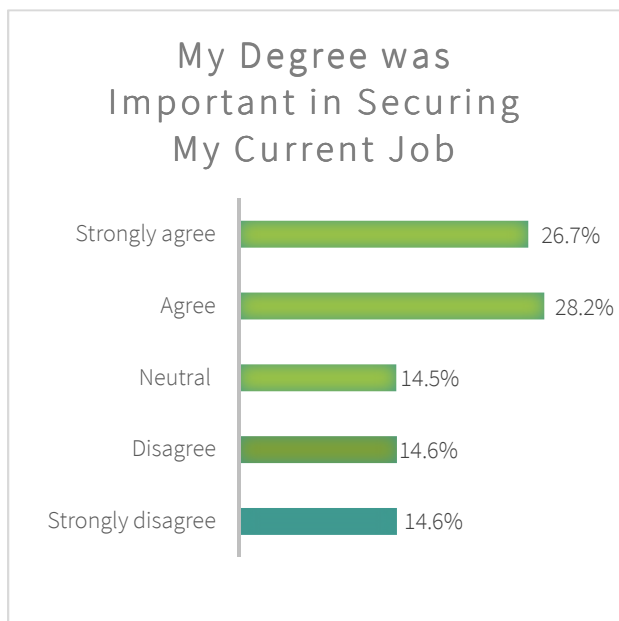
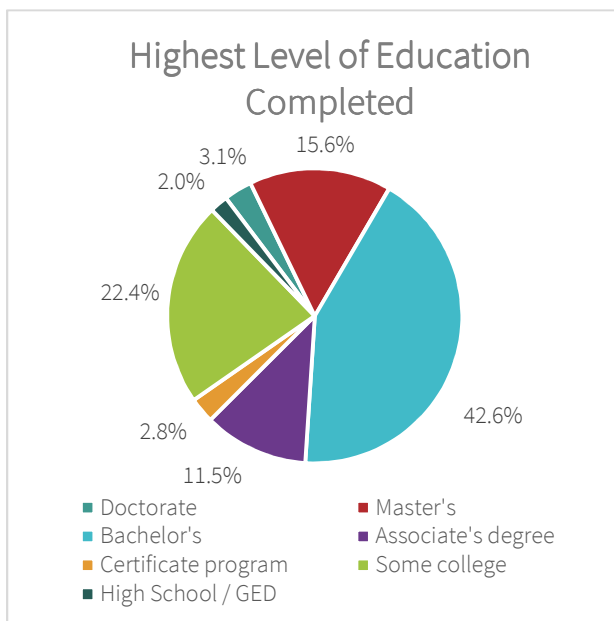
Businesses focused on increasing their draw to millennials should remain aware that most of that emerging talent pool is still building credit. Disqualifications on the basis of credit may have the opposite of the desired outcomes for retention and employee satisfaction.

Cost of Talent

A closer look at the amount of debt that respondents have taken on to obtain their degrees is an essential part of understanding their needs. Student loans represent an employee’s investment in developing the talents and skills that add value for their employers. The financial stress that comes with student loan repayment is a direct result of this investment.

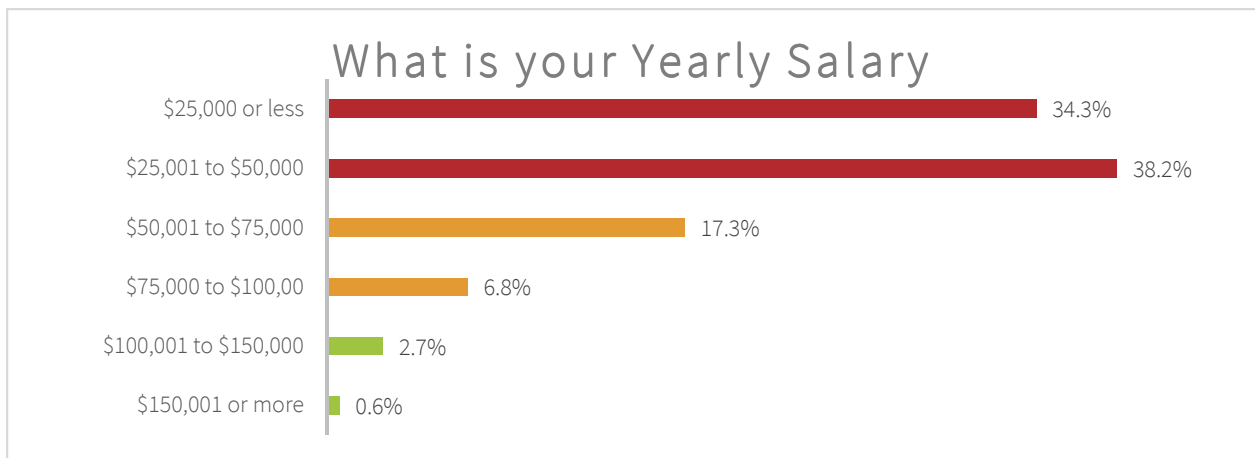
It’s important to acknowledge that this is an investment that tends to pay off because employers value the skills and degrees their employees bring to the table. In addition to the many aggregate analyses that demonstrate the long-term value of a college degree even for those who take on large amounts of debt or who do not find work in their fields, our respondents confirmed that they felt the credential to be important.

The majority (61.3%) of respondents hold at least Bachelor’s degree and 54.9% believe that their level of education was important in securing their current employment.

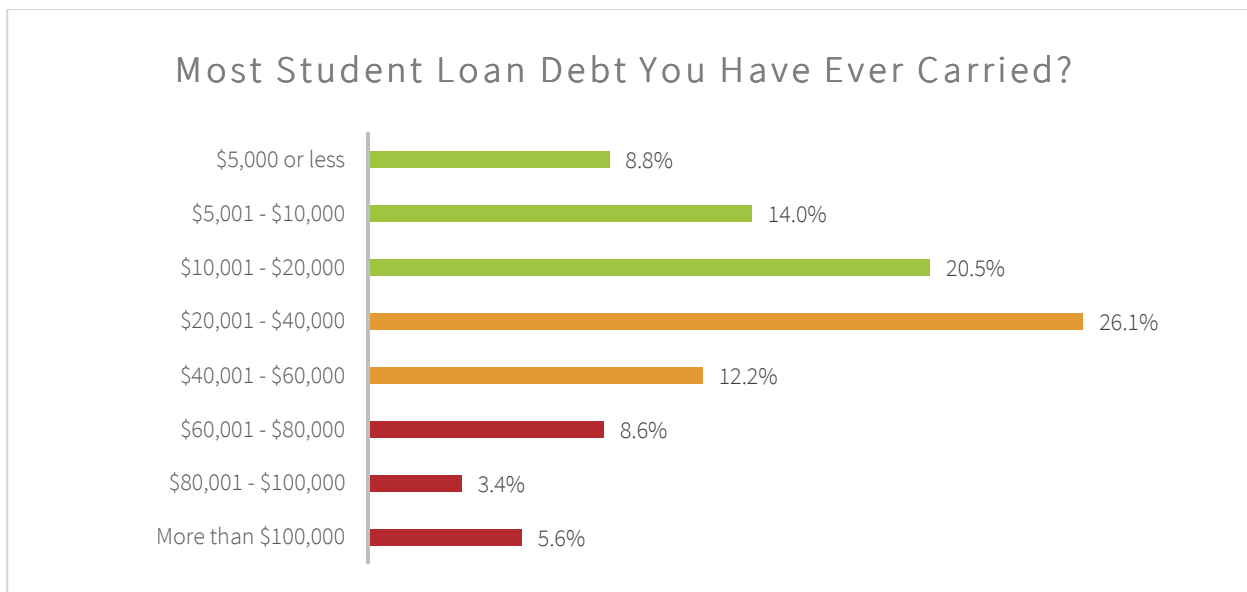


Cost of Talent (Cont.)

When respondents were asked about their salary, **72.5%** stated that they make less than \$50,000 annually. Given age groups represented by respondents, 71.9% of which qualify as millennials, this appears to confirm that many younger employees are still finding their financial footing despite long-term income prospects.

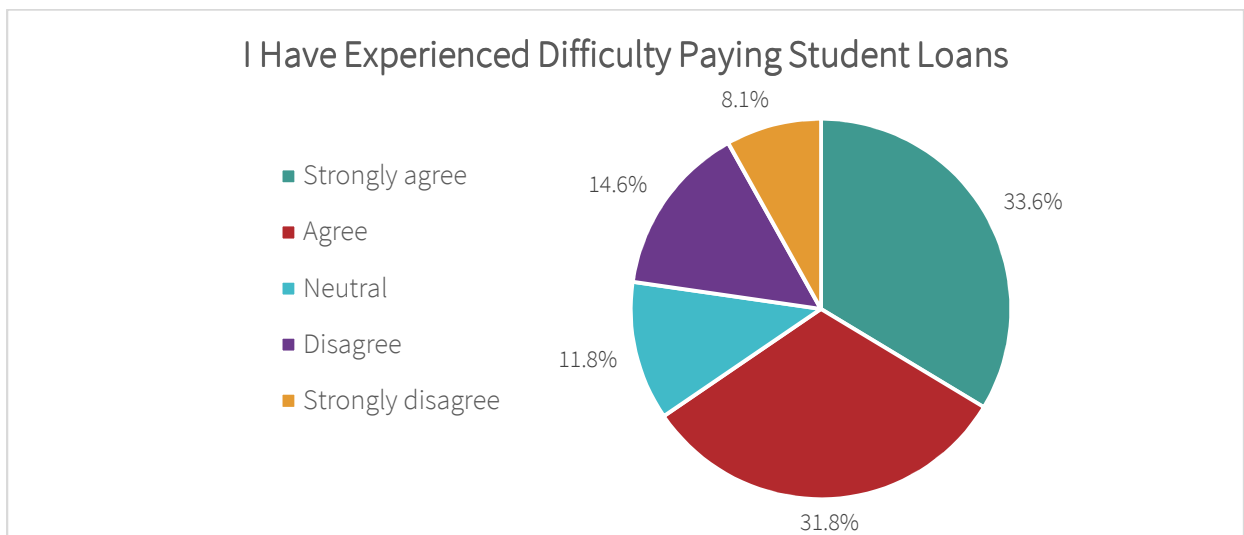


For comparison, when asked about the largest amount of student loan debt they have carried, **26.1%** placed themselves roughly within the national average ranging from \$20,000-\$40,000 while nearly **30%** (29.8%) reported more than the national average at more than \$40,000 of debt.



Cost of Talent (Cont.)

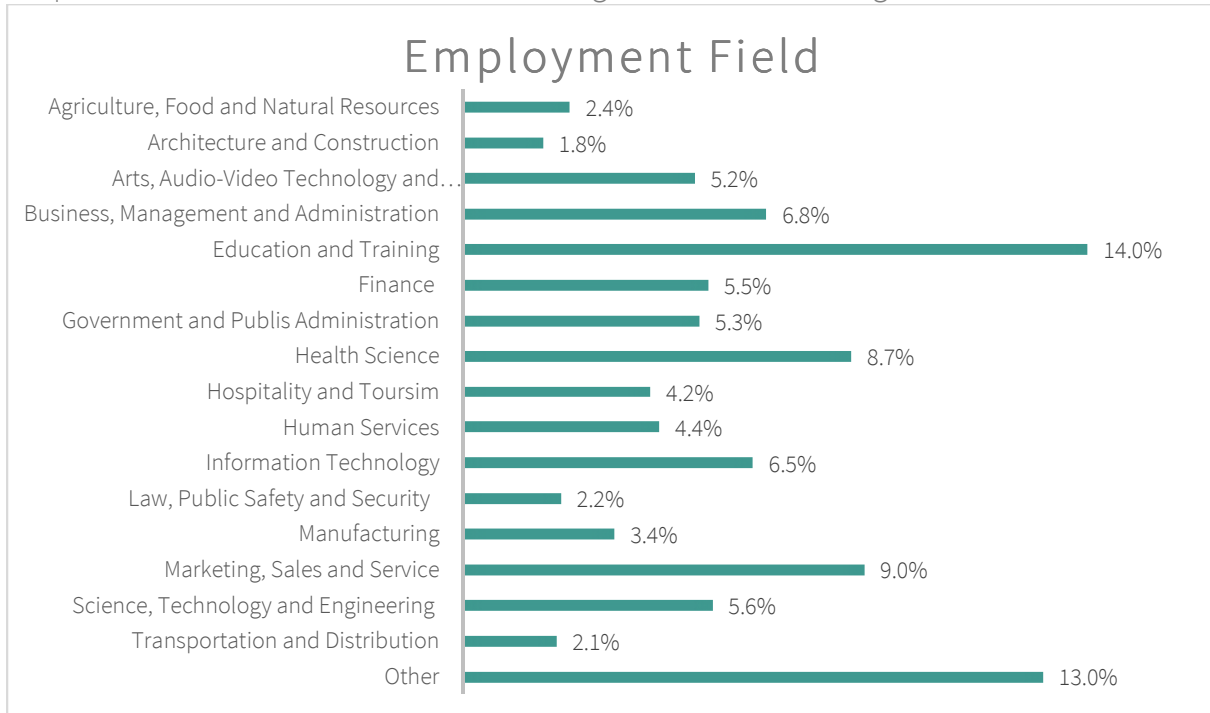
Respondents were asked if they ever experienced difficulty making student loan payments (either currently or in the past), nearly two thirds (65.4%) said that they have or had difficulty making student loan payments.



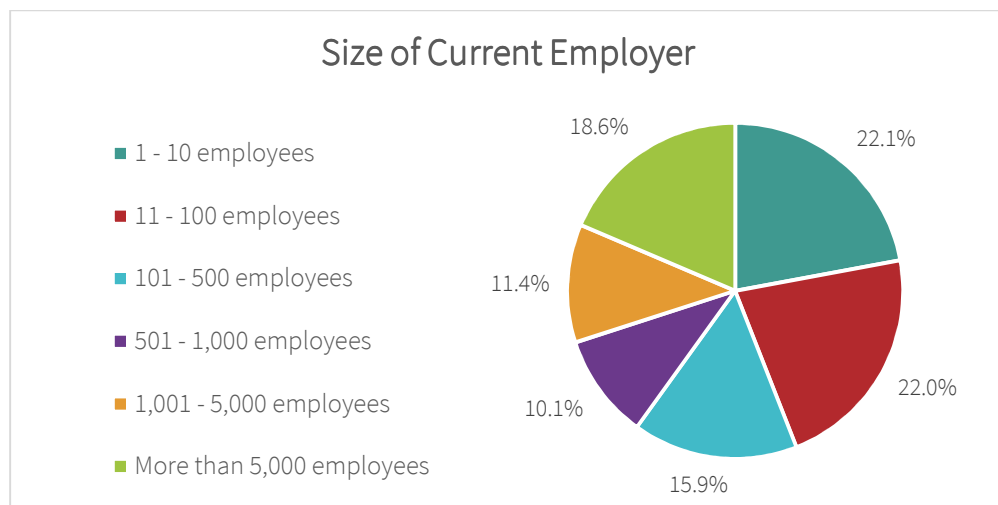
Given the available repayment plan options for federal student loans, which make up more than 90% of all student loans, there are few reasons a well-informed employee would need to experience difficulties.

Cost of Talent (Cont.)

Respondents come from varied fields including education, marketing, health science, and finance.



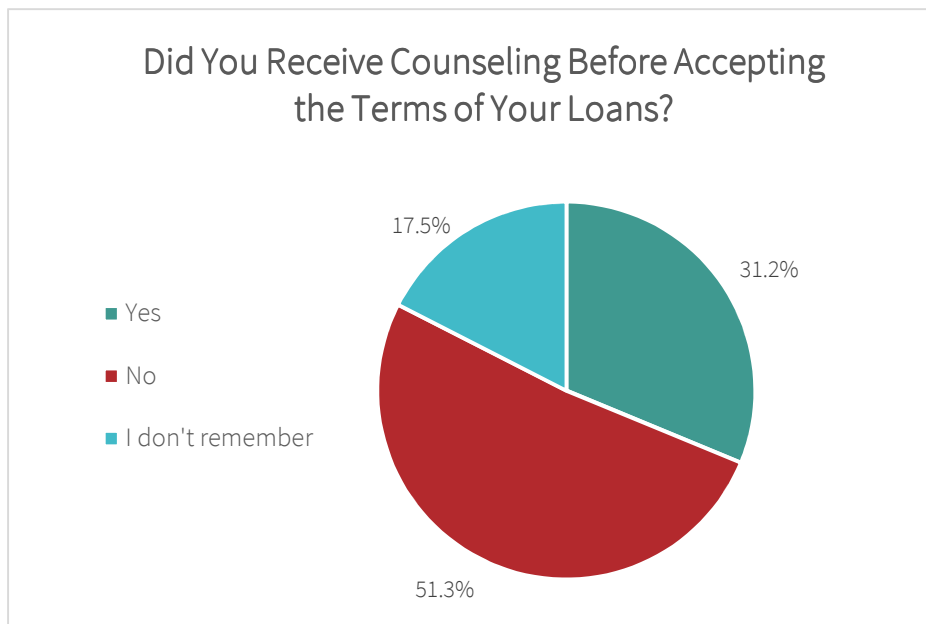
Employer sizes range from large corporations of 5,000+ employees to relatively small businesses with staffs of less than 100 people.



Student Loan Management

Employees are often not prepared to handle repayment

According to Collegeboard.com, over [90%](#) of student loan distributions are federal. The federal government requires entrance and exit counseling for all their borrowers, however more than 50% (51.3%) of respondents claim that they did not receive counseling before accepting the terms of their loans.



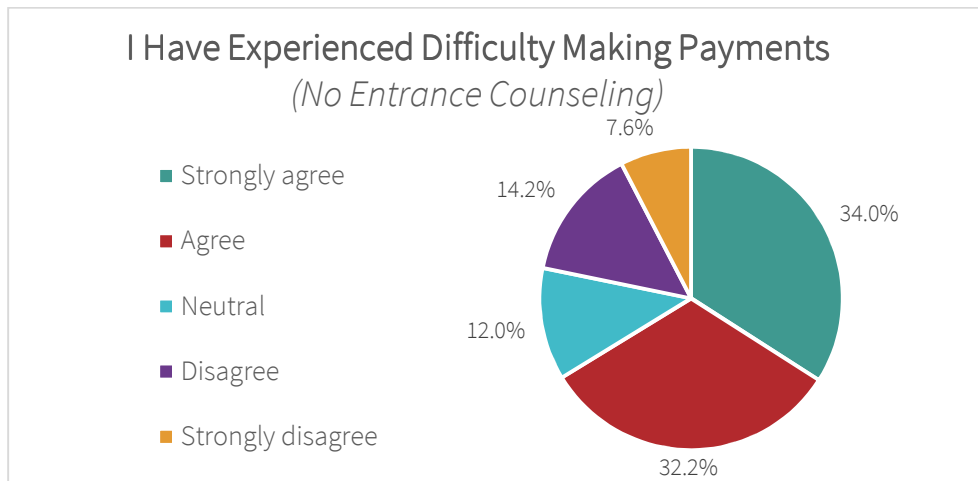
This indicates that many student loan borrowers experience a less than memorable entrance counseling session, at the least. The question of whether this obligatory counseling can be relied on to educate borrowers on the responsibilities and obligations they are assuming is entirely valid.

In IonTuition's 2016 Employer Perspective Survey, we polled more than 400 managers from throughout the United States to learn more about the state of student loan benefits today.

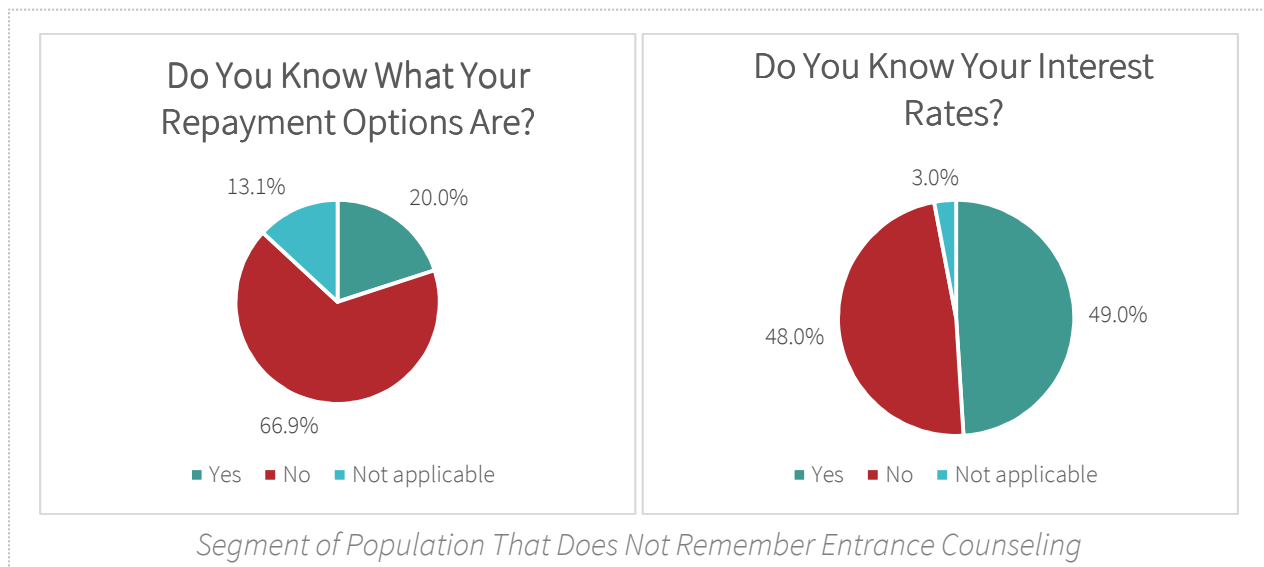
67% of managers believed that their employees would benefit from access to student loan counselors to help fill in the gaps in their understanding of student loan repayment, similar to the general financial counseling often found in Employee Assistance Programs (EAP).

Student Loan Management (Cont.)

Looking specifically at the more than two-thirds of respondents (68.8%) who either do not remember or did not receive counseling, 66.2% have had difficulty making their payments.

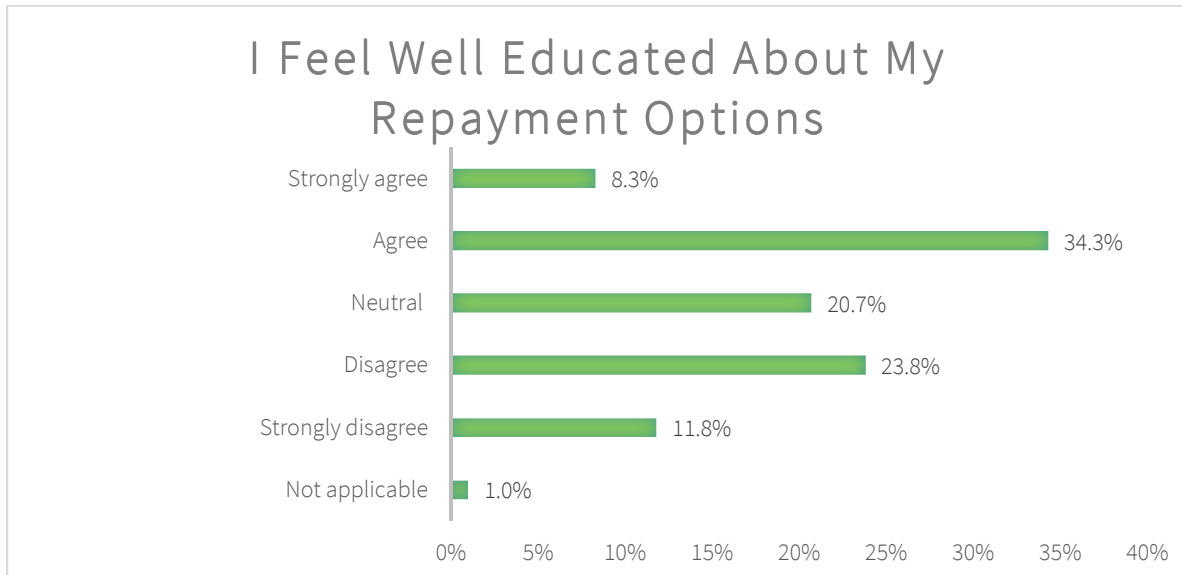


70% of these respondents are unaware of their options if they are unable to make their monthly student loan payments. Almost 50% (48%) don't know their current or past interest rates.

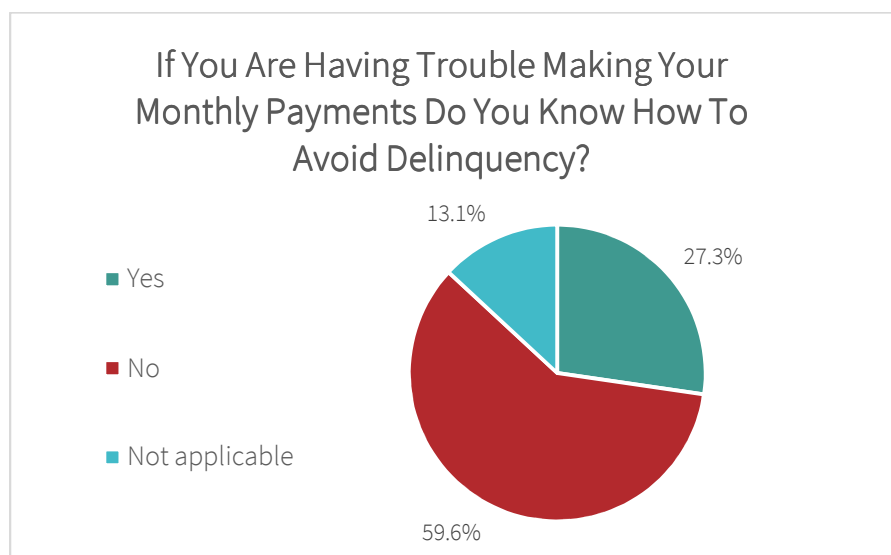


Student Loan Management (Cont.)

Overall, more than a third of respondents feel that they lack an understanding of their available student loan repayment options.

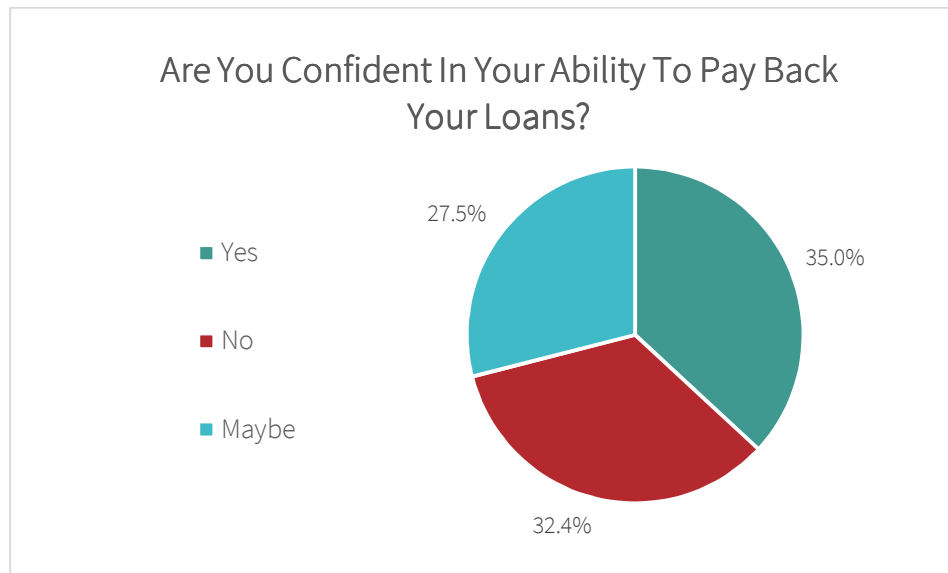


Nearly **60%** (59.6%) of respondents are also not aware of how to handle payment difficulties during periods when they cannot afford their payments.

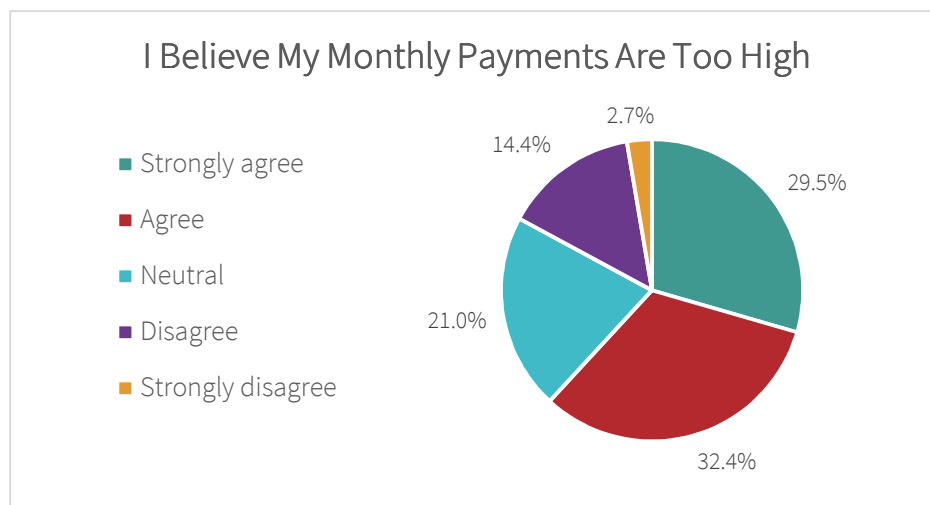


Student Loan Management (Cont.)

When asked if they felt confident in their ability to repay their student loans, only 35% of those still in repayment were entirely confident that they would be able to do so.

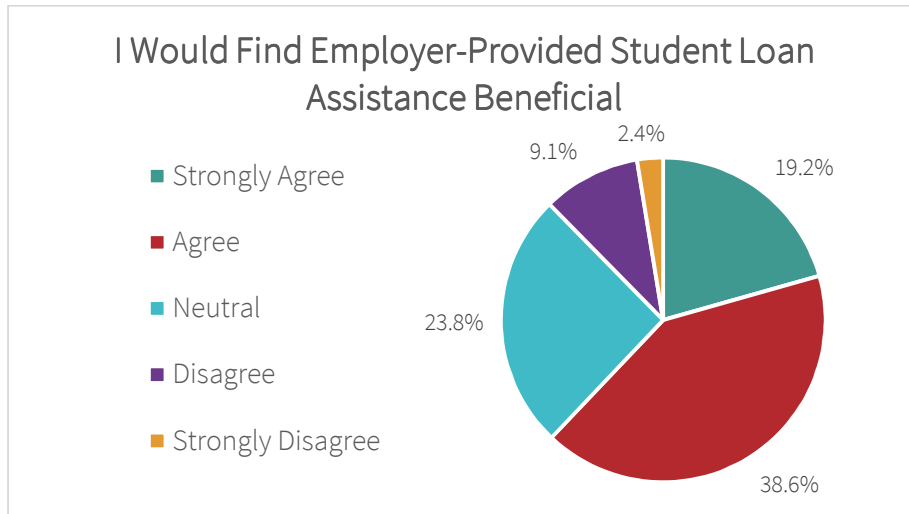


Respondents were not clear on their options for repayment, their eligibility for forgiveness, or even their interest rates. They frequently felt that their payments are unaffordably high, yet had a poor understanding of their ability to qualify for income-driven repayment options. There are opportunities for employers to alleviate these stresses and increase both retention and productivity.

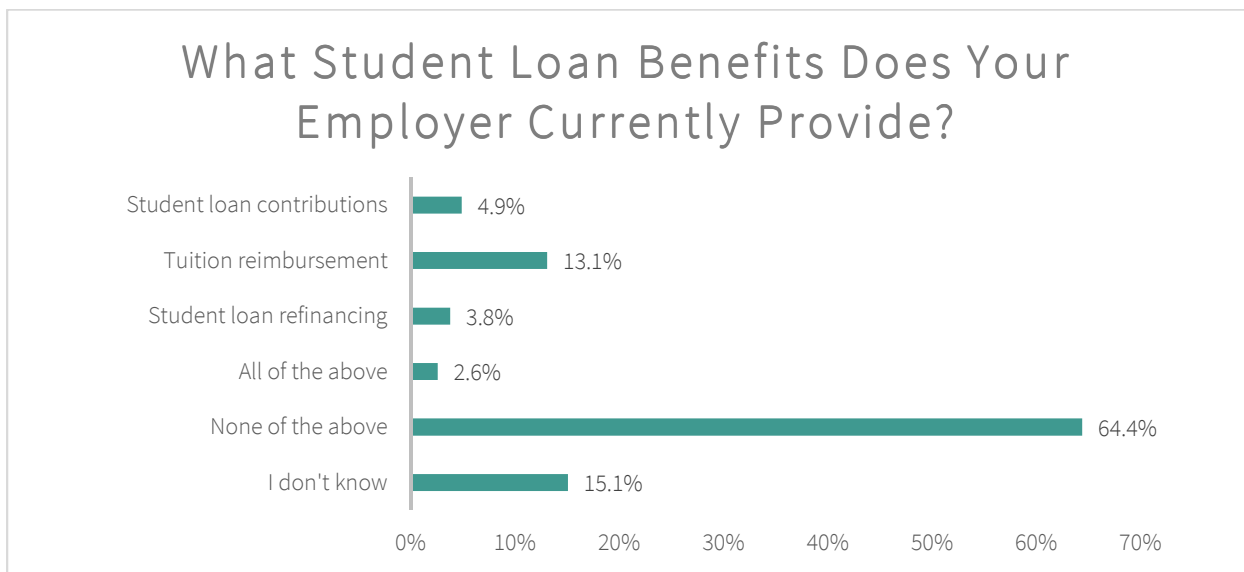


Value of Employer Engagement

Nearly three-fifths (57.8%) of all respondents think it would be beneficial for their employer to provide information and tools to assist with student loan management.

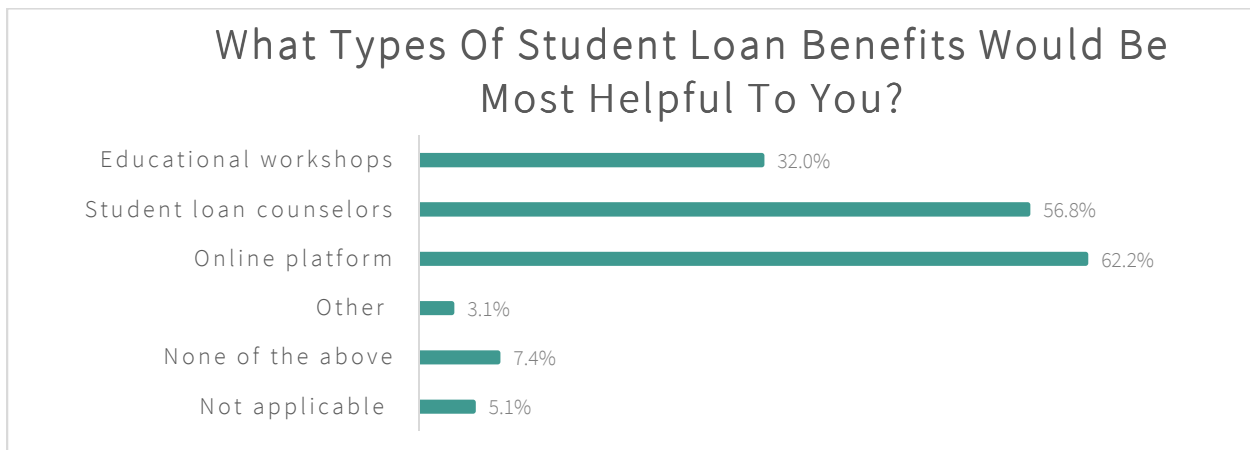


Despite this, nearly two-thirds (64.4%) said their employer is not currently offering any student loan benefits of any kind, including tuition reimbursement.

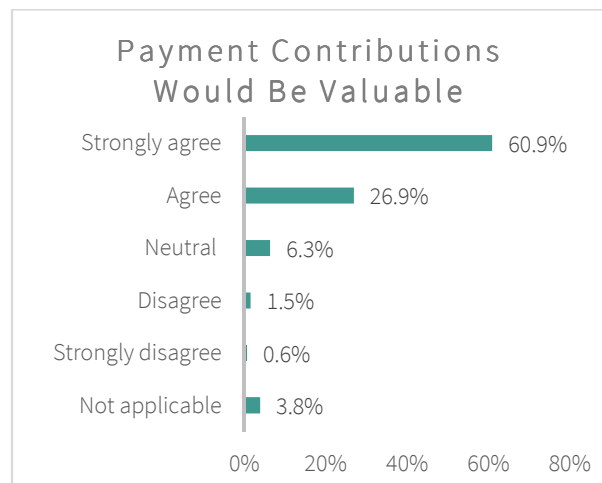
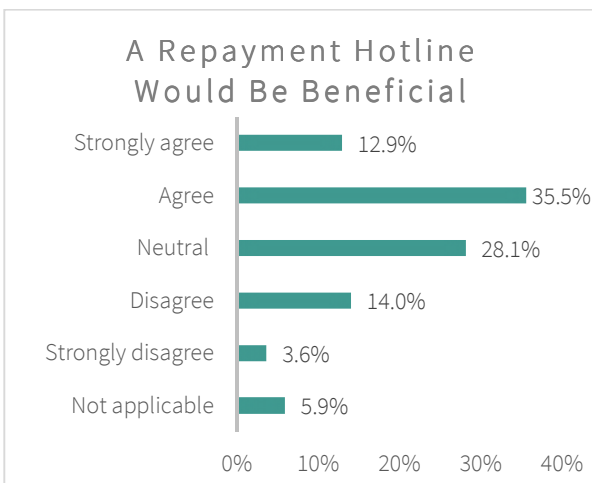


Value of Employer Engagement (Cont.)

When asked what type of educational benefits respondents would find helpful in dealing with their student loans, 62.2% selected an online platform with calculators, notifications, and budgeting tools. In a close second, 56.8% of respondents wanted access to live student loan counselors, and in third at 32% were educational workshops.



Almost half (48.4%) of all respondents said they would find a hotline to learn about income-driven repayment beneficial. Close to two-thirds (64.1%) said that one-on-one student loan counseling would be a valuable benefit, and an overwhelming majority (87.8 %) would consider student loan contributions to help pay down their loans more quickly a valuable addition to their benefits.



Conclusions

Employees are looking to their employers for help managing student loan burdens. As the amount of outstanding student loan debt in the U.S. increases, the number of companies willing to offer this type of benefit to their workforce is growing rapidly. According to the Society for Human Resource Management (SHRM), [4%](#) of employers currently offer student loan payment contributions as a benefit. Willis Towers Watson predicts that this will grow to nearly [20%](#) by 2018.

The majority of the U.S. workforce already views a degree as a prerequisite for employment in their current position. These employees value their achievement and want to see their employers do the same. Student loan payment contribution as a benefit demonstrates that employers understand and value the investment their employees have made in developing their skills and encourages the employee to rely on the business for more than a paycheck.

The rise in interest in student loan payment contribution programs coincides with an increasing disinterest in tuition reimbursement, which can be risky for both the employee and the employer at various stages. In addition to initial up-front costs that may not pay off in the event that an employee fails to complete their course, employers also risk having inadvertently encouraged their employee to seek positions elsewhere using their newly acquired expertise.

Focusing on innovative solutions provides effective, affordable ways for employers to reduce the financial burden of student loan debt. Helping employees relieve financial stress is a proven option for building company loyalty, enhancing productivity and improving morale. Even something as simple as providing student loan management tools and access to one-on-one counseling can be a great step in the right direction.

About IonTuition:

IonTuition provides employers with student loan repayment assistance benefit solutions, helping them offer payment contributions, student loan payment via payroll deduction, loan management tools for optimal repayment strategies, loan monitoring, and more. The company delivers interactive, user-friendly tools, customized to fit the evolving goals and life circumstances of each and every user, as well as live student loan counseling via phone, email, or webchat through U.S.-based contact centers.

Learn more by visiting: <https://www.iontuition.com/Partnership/Employers>
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