



# **SECURE 2.0 White Paper**




# **Student Loan Retirement Match and What it Means for Employers**



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# SECURE Act 2.0

*Congress recently passed legislation that could have a large effect on employees with student debt.*

Congress recently passed SECURE 2.0 legislation as part of the year-end spending bill. This comprehensive set of retirement policy changes has implications for a variety of retirement programs.

One component of the new legislation that has received bipartisan support would allow for employers to count an employee's student loan payments toward their retirement match, effectively increasing retirement contributions for those employees. This provision starts in 2024.

To illustrate, let's take a 25 year old employee who earns \$50,000 a year and has to make \$500/mo payments on her \$47,000 in outstanding student debt. This employee is eligible for a 5% retirement match or \$208/mo, but is currently not contributing anything to retirement. With the student loan retirement match, the employee could verify she makes that \$500/mo student loan payment and the employer will contribute \$208 into their 401k or 403b. The employee pays down their student debt AND starts to build up retirement savings.

As employees start to pay down their student debt they see the value of that retirement account and match and start to contribute more directly.

## What does this mean for employers?

# Student Loan Retirement Match

*As background, some companies have already started experimenting with counting student loan payments as employee deferrals.*

Most notably, the 2018 Abbott Private Letter Ruling cleared the way for Abbott Laboratories to implement a student loan retirement match in their employee 401(k). However, employers have been waiting for broader regulatory guidance, including whether the student loan retirement match could apply to 403(b) plans. SECURE 2.0 provides that much-needed clarity to employers outside of Abbott. 403(b) plans, importantly, would be covered.

Some details still need to be confirmed in the regulatory process. For example, what documentation will employers need to prove that a “qualified student loan payment” was made by the employee? Could a simple employee attestation be enough?

Research shows that employees are underinvesting in retirement because of their student debt. For example, a 2019 study by MIT Age Lab and TIAA found that “eight in 10 adults with student loans say that their debt is negatively affecting their ability to save for retirement.” Employers may offer a generous retirement match but find that employees are not getting the benefit simply because they have to make a large student loan payment each month, while their peers without student debt build up savings. Overall, an estimated 17.5M Americans miss out on their retirement match by failing to adequately invest in their retirement accounts.

# Two Considerations For Employers

*Employers watching the progress of SECURE 2.0 should considering the following two questions before implementing a student loan retirement match:*

## **Are your employees eligible for Public Service Loan Forgiveness?**

If you are a non-profit employer, your employees with student debt are likely eligible for PSLF. Combining a PSLF-focused student loan benefit with a student loan retirement match has some significant benefits. Savi users will typically see a reduction in their monthly student loan payments and be on track for substantial forgiveness. Savi collects all the data required to show that borrowers are making payments- which you will need for the student loan retirement match- and can set up a seamless system with your retirement provider. So the employee will be reducing their student debt AND increasing retirement savings. Finally, lowering the amount your employees pay on their student loans will actually reduce the cost of the student loan retirement match program overall.

## **How does student loans fit into your broader financial wellness program?**

Student debt is one significant financial challenge facing your employees, but it's not the only one. It's important to think about how student loan benefits and a student loan retirement match can fit within your broader efforts around employee financial wellness. Borrower education is a key piece of the Savi benefit, including webinars and 1-on-1 support and we work to help employees connect the dots between student debt and other financial priorities (like saving for retirement).

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## **Student loan benefits.**

## **Student loan forgiveness.**

## **Student loan retirement match.**

Savi is a social impact technology startup working to solve the student debt crisis affecting 46 million borrowers by helping them discover repayment and loan forgiveness options. Founded by long-time student loan experts and advocates, Aaron Smith and Tobin Van Ostern, Savi is a registered public benefit corporation that has helped hundreds of thousands of student loan borrowers and identified more than \$1 billion in projected forgiveness eligibility. Savi works with over 200 employers, membership organizations, and financial institutions to provide our service as a unique student loan benefit.

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# Get In Touch With Savi to Learn More

*If you are interested in learning more about student loan retirement match, SECURE 2.0, or the broader student loan policy landscape and how that impacts HR and employee benefits, Savi can help.*

**Learn More**

[Aaron@bysavi.com](mailto:Aaron@bysavi.com)

**Schedule a Demo**

[www.BySavi.com/partner](http://www.BySavi.com/partner)

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