

Embracing Innovative Solutions for Student Loan Debt Relief



Market Outlook

Student loan debts can have a significant impact on borrowers' mental, physical and financial wellness, resulting in many employees experiencing mental health issues, such as anxiety, depression, insomnia and panic attacks. When student loan debt causes stress to employees, it can not only reduce workplace productivity, performance and morale, but it may also lead to high employee turnover rates as workers seek employers with better student loan assistance programs or higher compensation packages. Highly educated workers are often among organizations' most skilled and experienced workers; however, this often correlates with higher levels of student debt. Therefore, employers may lose some of their most valued employees if these workers leave for new opportunities in order to pay their debts. In this way, employees are increasingly looking to their employers for student loan assistance.

Student loan assistance is also anticipated to play a crucial role in attracting recent graduates in 2024. Since many 2024 graduates expect to carry student loan debt, their debt will influence the job opportunities they consider upon graduation. As a result, student debt relief programs will likely become increasingly more widespread as employers look to attract and retain skilled and experienced workers as well as younger generations in 2024 and beyond.



Considering these trends, it's not surprising that many employers are responding to employee wants and expectations by expanding student debt relief benefits. As more employers embrace this trend, they're offering various student debt-related benefits, including student loan repayment assistance, financial literacy and planning services, student loan contribution plans, retirement savings and tuition assistance. In addition to helping individuals pay off student debt, these programs can show employees they're valued by their employers, increasing employee engagement, satisfaction and retention and lowering their loan repayment-related stress.

Recent legislative changes have expanded the student loan benefits employers can offer in 2024. Under the CARES Act of 2020, employers can pay employees up to \$5,250 per year for student loan repayments as part of an educational assistance program. The law is currently set to expire on Dec. 31, 2025. However, there is a possibility that the law will be revised or amended, extending the expiration date or making the law permanent. The SECURE 2.0 Act, effective Jan. 1, 2024, will also provide employers with another means to assist employees with student debt in the upcoming year. This act will allow employers to provide matching employee contributions under a 401(k) plan, 403(b) plan or SIMPLE IRA with respect to qualified student loan payments. Additionally, the Biden administration is making another attempt to address student loan forgiveness through negotiated rulemaking under the Higher Education Act. This proposal, which is expected to be finalized in 2024, seeks to establish a new student loan forgiveness program for certain borrowers.

These recent developments indicate that student loan assistance benefits are likely here to stay. By offering student loan support in 2024, employers can show employees they're valued as whole people and provide workers with much-needed financial assistance and support, increasing employee retention, productivity, engagement and happiness. Employers who take advantage of these opportunities in the upcoming year will likely gain a competitive advantage over organizations that fail to support their indebted workers.