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New Service Brings Student Loan Repayment to Employer Retirement Plans

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BenefitEd empowers employees to maximize usage of employer-matched funds.

Today, more and more employees with student loan debt face a challenging question... Save for retirement or repay student loan debt? With the lingering student loan debt and impending interest rates, many students find it difficult to plan and save for retirement. With a focus on repaying the debt as quickly as possible, millennials aren't taking advantage of retirement plans many employers offer.

In fact, a study conducted by Ipsos indicates 69% of millennials aren't saving for retirement. Various media and financial outlets attribute increasing student debt amounts as the reason employees aren't saving for retirement. The financial burden of student loan debt repayment along with the cost of living makes it impossible for some employees to set aside anything towards retirement planning.

Employees aren't utilizing 401(K), 403(b), and other retirement match programs because of these debts. This is an issue for millenials as well as older generations nearing the age of retirement. Employers have allocated these funds to contribute to employees' retirement planning. Whether it is misunderstanding, inability to properly determine how to utilize funds, or a combination of both, many employees in the workforce aren't taking advantage of employer contributions to retirement programs. According to the Financial Industry Regulatory Authority nearly $24 billion in employer contributions are left on the table annually.

This is where a new program, offered exclusively through BenefitEd, provides employees an opportunity to allocate how benefit funds are utilized. Employees will have the opportunity to redirect funds and allocate a portion of those funds towards paying off student loan debt, and a portion towards retirement. Employees have control of where the money goes, allowing them to pay debts off faster. This also affords them the opportunity to begin saving and planning for retirement, providing flexibility as individuals can discharge student loan debt and begin to focus on other financial goals.

Employers also face barriers when looking for alternatives to address student loan repayment benefits. This comes in the form of additional cost for helping employees repay those debts. The Employee Choice Program allows companies to offer employees the option to change how benefit dollars are utilized, without increasing costs. The program is the first of its kind, which benefits employees without burdening employers with additional financial implications.

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Bringing BenefitEd to the Workplace

The BenefitEd program offers a great deal of flexibility to employers who wish to support employees' education alongside their financial goals. Scott Gubbels, executive director of Nelnet, and executive director of BenefitEd states: "Employee Choice is another example of how we help progressive companies attract, retain, and encourage a younger workforce."

Ameritas group division executive vice president, Karen Gustin, goes onto say "We look forward to working together to provide this important and highly sought after employee benefit," said Karen Gustin, Ameritas group division executive vice president. "The combined experience of both companies creates a knowledgeable, trustworthy and strong partnership. That is an advantage for our customers in recruiting, engaging and retaining employees."

The Necessity for a Program Like BenefitEd

More employers are relying on programs like BenefitEd to retain employees struggling with student loan repayment debts. New clients, including RehabVisions, Insuramax, M3 Insurance, Shawcor, West Yost, Yello, and SECO Energy, also see the necessity for student loan repayment programs, such as BenefitEd. These companies join a list of others who realize the need to deal with the expanding issue of student loan costs. With some students graduating with over $20,000 in loans, it's difficult to plan accordingly for retirement planning. A program like BenefitEd affords students the opportunity to split retirement savings incentives employers offer. This program allows employees to address the current loan debt owed, while beginning to plan for their retirement setting aside a certain amount each month as well.

Sohrab Kohli, manager of the Center for Financial Services Innovation, indicates programs like BenefitEd are a great benefit for employers to offer employees, struggling to repay these debts, stating "Through our research and that of others, we are constantly reminded that consumers need better tools to address debt and savings," he says. "To make solutions like this [Employee Choice] even more powerful, I would like to see complementary support that helps employees assess their financial health needs and make benefits decisions with more confidence. Coupling these solutions with financial coaching, or another form of trusted financial advice can help inform or guide an employee's allocation decision, and better support their financial health."

Funding Availability for BenefitEd

Each employer's retirement package allocation will determine the funding availability for the BenefitEd retirement and student loan repayment opportunities available to employees. If, for example, an employer matches an employee's contributions up to 5%, dollar for dollar, the benefits under the student loan repayment program will never exceed this 5% mark. Employees can choose where to allocate those funds, however. They can choose to have a portion go towards retirement, a portion towards student loans, or any other combination thereof. However, contribution amounts will never exceed the maximum employer contribution limit.

Employer Eligibility

The BenefitEd Program is available to any employer match as part of their retirement program. Employers won't incur additional charges to their benefits program packages. This makes it an excellent option for employers hoping to offer a comprehensive retirement program, with student loan repayment options for employees. Employers are funding the programs via their benefit package offerings, giving them full control of eligibility and rollout. Employees are free to change allocation of funds on a monthly basis.

Tax Implications of the BenefitEd Program

The student loan repayment program is unlike traditional retirement plans, in that benefits are currently a taxable benefit. Contributions made by employers are taxed as normal income, and no further tax implications are levied on employers or employees. In fact, the IRS is beginning to recognize the need for such programs. The IRS recently released Private Letter Ruling 201833012, which provides a path for companies to match student loan repayments in the vein of a 401k. You can read more about this developing tax story here.

Program Details

The Employee Choice program is a joint effort between Nelnet and Ameritas with the underlying goal to provide employees greater opportunities for retirement planning, without allowing student loan debt to linger for years after entering the workforce. Employers aren't required to amend retirement plan summary documentation. BenefitEd leverages an understanding of how employee benefit programs work, and expertise in education payment process.

Full program details are available at youbenefited.com/products/employee-choice/. Employers and employees can also find answers to the frequently asked questions about the program here.

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