



# Student debt is a major financial hurdle for your employees. You can help

**Lisa Brown**

UBS Workplace Wealth Solutions  
Director, Retirement Plan Consulting  
[Lisa.k.brown@ubs.com](mailto:Lisa.k.brown@ubs.com)

**Justin Steil, CIMA®, CRPS®**

UBS Financial Services Inc.  
Senior Retirement Plan Consultant  
[Justin.steil@ubs.com](mailto:Justin.steil@ubs.com)

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## College costs are rising

The cost of sending a child in 2023 is just over a third of the cost in 2043

4 years at an in-state  
public school

\$90,760



2021

\$96,120

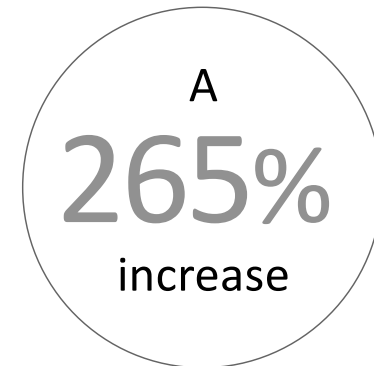


2023

\$255,035



In 20 Years



Data sourced from The College Board – Trends in College 2023: <https://research.collegeboard.org/trends-college-pricing/highlights>. Assumes future college costs estimated to inflate 5% per year. Average tuition, fees and room and board for in-state public school.

# Student loan debt is a universal problem



## **\$1.8T albatross**

Student loan debt impacts 47 million borrowers, and is second only to mortgages in consumer debt.<sup>1</sup>

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## **Spans age and wage**

59% of employees between ages 22 and 44 have student debt<sup>2</sup>, with 35-year-olds having the highest outstanding student debt at \$42,600 per borrower<sup>3</sup>.

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## **Plan and retirement specific events**

Those with student loan debt delay major life events—like getting married, buying a house, and saving for retirement—by 8 years or more<sup>4</sup>.

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### Sources:

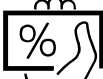



<sup>1</sup> Education Data Initiative. April 2023.

<sup>2</sup> Common Bond. May 2018.

<sup>3</sup> Education Data Initiative. April 2023.

<sup>4</sup> CNBC. January 2022.

# What to know about your type of student loan

	Federal		Private
	<b>Lender</b>		<b>Lender</b>
	Federal government		Banks, credit unions, other financial institutions
	<b>Repayment</b>		<b>Repayment</b>
Starts right after college, deferment option available			May start immediately, deferment option unlikely
	<b>Interest rates</b>		<b>Interest rates</b>
Fixed low rates			Could be higher and/or variable
	<b>Eligibility</b>		<b>Eligibility</b>
May not need a credit history or co-signer			Need a credit history or a co-signer

# A quick refresher on each student loan

90% of student loan debt is federal

## Federal

## Private



Direct subsidized loans



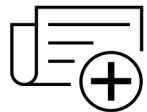
Direct unsubsidized loans



Undergraduate loan



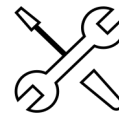
Graduate loan



Direct PLUS loans



Direct consolidation loans



Trade school loan



Loans for non-traditional students

**Tip:** Subsidized or unsubsidized loans means government may/may not cover interest before repayment.

# Macro events converge, creating need for widespread financial inclusion across the workplace



## Student debt has a profound impact on retirement participation

**25%** Student debt is the main barrier to adoption for **25%** of employees who have access to a retirement plan but don't participate.<sup>1</sup>

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**80%** **8 in 10** borrowers say their student debt hinders adequate retirement savings.<sup>1</sup>

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**25%** **1 in 4** 25- to 35-year-olds who are not currently saving for retirement say they are prioritizing student debt payments instead.<sup>2</sup>

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**As a result, student loan borrowers accumulate 50% less in retirement assets compared to their debt-free counterparts.**

Sources:

<sup>1</sup> TIAFF.new-media-release.com. 2023.

<sup>2</sup> CNBC.com 2019.

# Invest in your employees with student debt assistance



## Retirement Match—Secure 2.0

## Employer Contributions

Enables employers to match employees' student loan payments with tax-free retirement contributions

Help bring indebted employees in off the retirement sidelines and into wealth creation

Match must be offered to the same employee population as the retirement plan

Follows match calculation of employer's retirement plan

Same pre-tax dollar treatment as for traditional matching contributions

Falls under employer's existing employer match budget

Accelerates retirement savings and wealth accumulation

### What is it?

Enables employers to make contributions directly to employees' student loans, up to \$5,250 of which is tax free

### How does it help?

Help employees pay down their student debt today for immediate relief

### Eligibility

Employer has flexibility to offer the benefit to all or a targeted population based on their goals

### Plan Design

Fixed dollar amounts with specified frequencies for all employees and/or tiered by employee status

### Tax treatment

Contributions up to \$5,250 are tax-free, in accordance with Section 127 plan

### Budget

Often falls under employer's existing education and tuition assistance/reimbursement budget

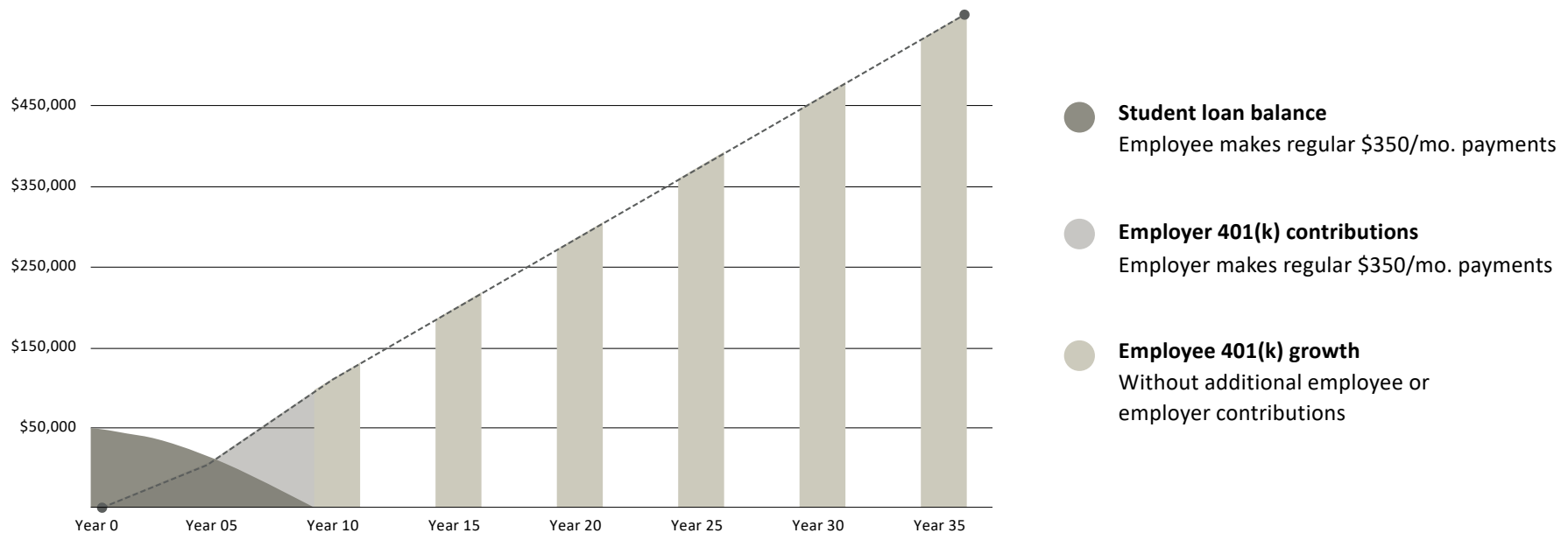
### Impact

Accelerates student debt pay-down and frees up cash flow



## SECURE 2.0 provides a path for simultaneous progress on debt paydown and wealth creation

Matching contributions to student loan payments could mean up to \$450,000 more saved in retirement contributions for those who would otherwise defer savings.



Assumes an 8% nominal return and matching contributions of \$350 over 10 years.

## CARES Act: Student Loan Repayment, leveraging Section 127



2 in 3 US employers offer tuition assistance benefits, but <5% adoption rates reveal a blindspot to what employees really want.<sup>1</sup>



In contrast, 86% of employees say they'd commit to a job for 5+ years if they received student loan repayment benefits,<sup>2</sup> yet only 4% of employers offer this benefit.<sup>3</sup>

### CARES Act: Tax-free employer-sponsored student loan contributions

- Expand your **Section 127** plan to include student debt pay down right alongside tuition reimbursement, up to \$5,250 in tax-free annual contributions
- Design a custom program based on employees' tenure, salary, and department

Sources:

<sup>1</sup> Education Data Initiative. April 2023.

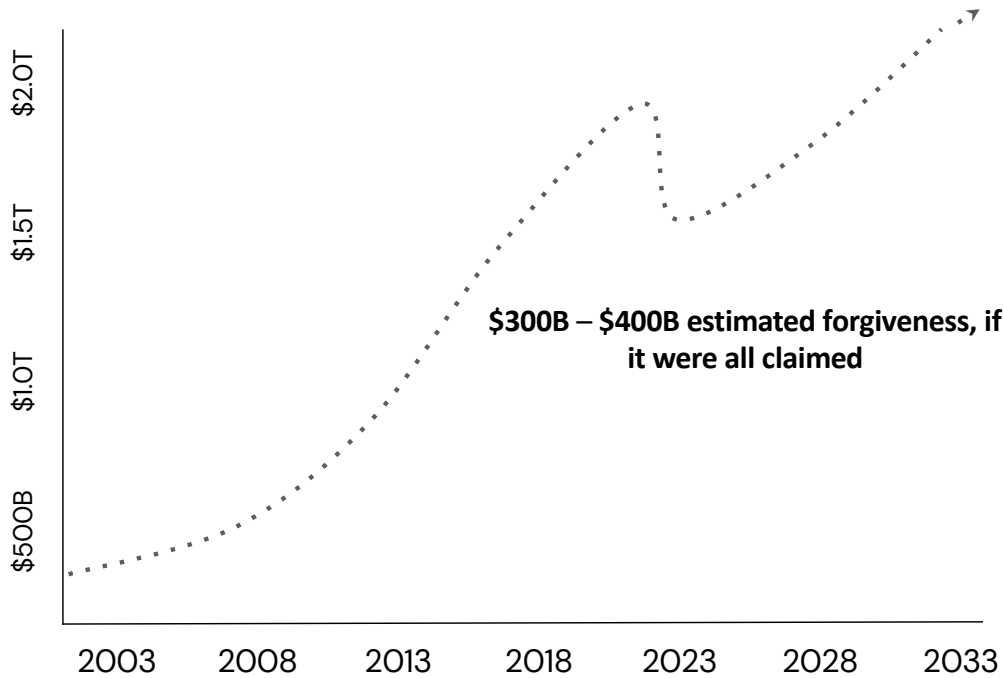
<sup>2</sup> Common Bond. May 2018.

<sup>3</sup> Education Data Initiative. April 2023.

<sup>4</sup> CNBC. January 2022.

# Student debt isn't going anywhere but up

These measures do nothing to address the cost of education, the wage gap, nor other systemic issues that drive disproportionate amounts of debt.



## Student debt will remain north of \$1.2T.

- 2.8M** Graduate with debt every year
- \$36K** Average debt per borrower
- \$100B** Estimated annual debt for new borrowers

At current rates, the forgiven amount will be replaced in 3 – 5 years, another \$1T will be added in 10 years.

2003 – 2021: Federal Reserve Bank of NY; 2023 – 2033 Estimated.

Thank you for attending!



**Lisa K. Brown**  
UBS Workplace Solutions  
Director, Retirement Plan Consulting  
[lisa.k.brown@ubs.com](mailto:lisa.k.brown@ubs.com)  
704-362-8264

[ubs.com/workplacesolutions](https://ubs.com/workplacesolutions)



**Justin Steil, CIMA®, CRPS®**  
UBS Financial Services, Inc  
First Vice President—Wealth Management  
Senior Retirement Plan Consultant  
[justin.steil@ubs.com](mailto:justin.steil@ubs.com)  
757-624-3390

[advisors.ubs.com/justin.steil](https://advisors.ubs.com/justin.steil)

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