



# **Student Loan Debt: Who Has It, What Is Its Impact, and What Are Employers Doing to Help?**

EBRI Webinar

March 11, 2021

# Speakers



**Craig Copeland,  
Senior Research  
Associate, EBRI**



**Josh Dietch, Vice  
President and Group  
Manager – Retirement  
Thought Leadership,  
T.Rowe Price**



**TJ Donovan, Head  
of Sales — Gradifi  
by E\*Trade, E\*Trade  
Financial Corporate  
Service**



**Moderator: Kelsey  
Bradbury, Senior  
Research & Insights  
Consultant, Consumer  
Insights, Lincoln  
Financial Group**

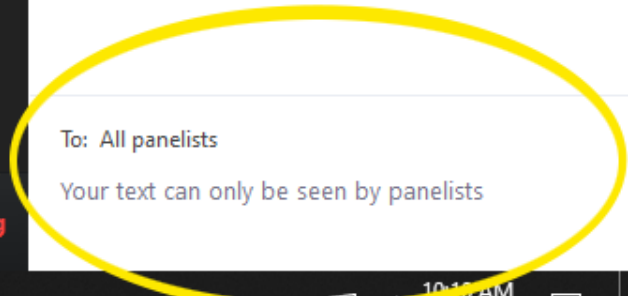
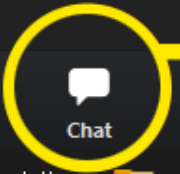
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# Student Loan Debt: Key Statistics

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March 11, 2021

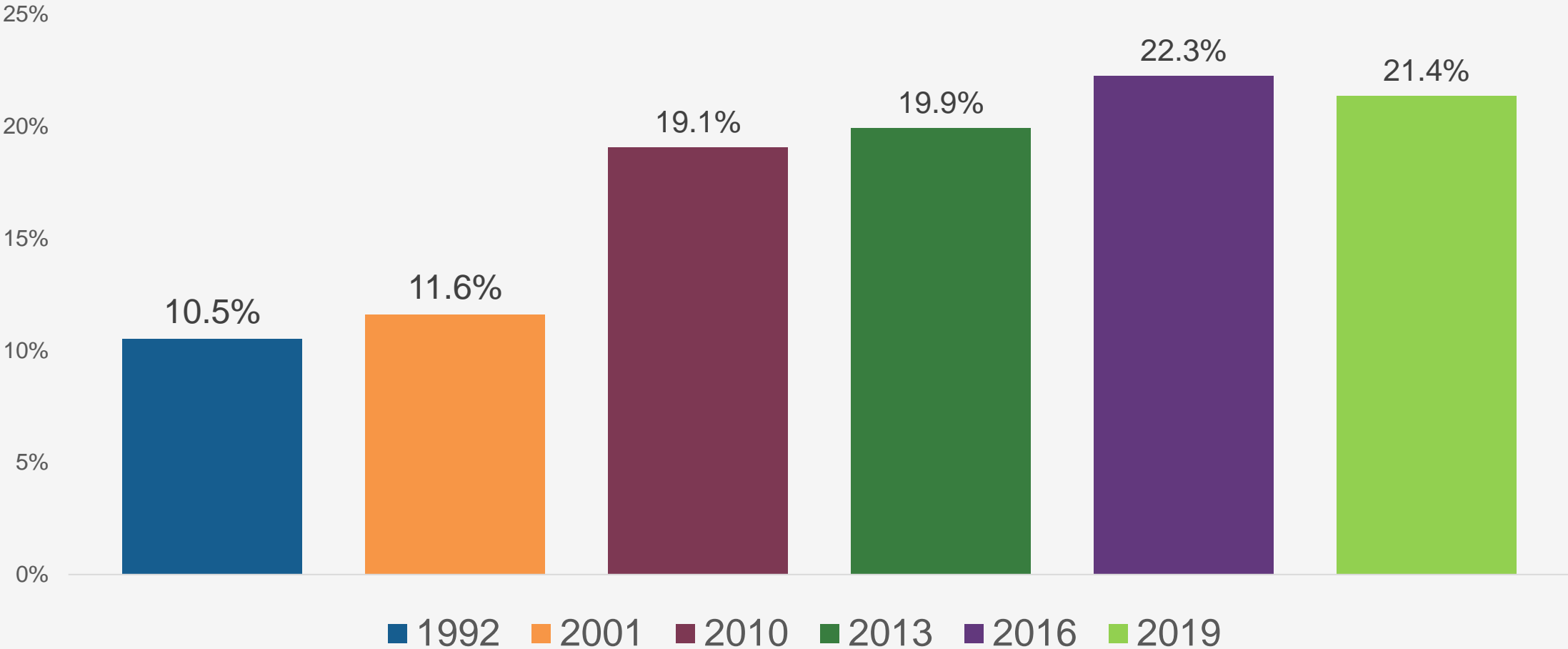
# Overview

Data Source: Survey of Consumer Finances (SCF)-triannual survey from the Federal Reserve-considered the best source for wealth of American families (2019 latest)

- Student Loan Debt
  - Percentage of families having student loan debt by various characteristics
  - Distribution of the student loan balances held (25<sup>th</sup> percentile-90<sup>th</sup> percentile, average)
    - Comparisons of median balances by key family or family head characteristics
  - Distribution of required monthly payments (25<sup>th</sup> percentile-90<sup>th</sup> percentile, average)
  - Percentage of family income that the payments represent
- The racial/ethnicity categories from SCF are self-identified and include white, non-Hispanic; Black/African American; Hispanic; and other, which consists of those races/ethnicities not defined in the three prior categories, such as Asian Americans and those who identify as multiracial. SCF is at the family level, so the characteristics of the family head (or the reference person) are used to categorize the families.

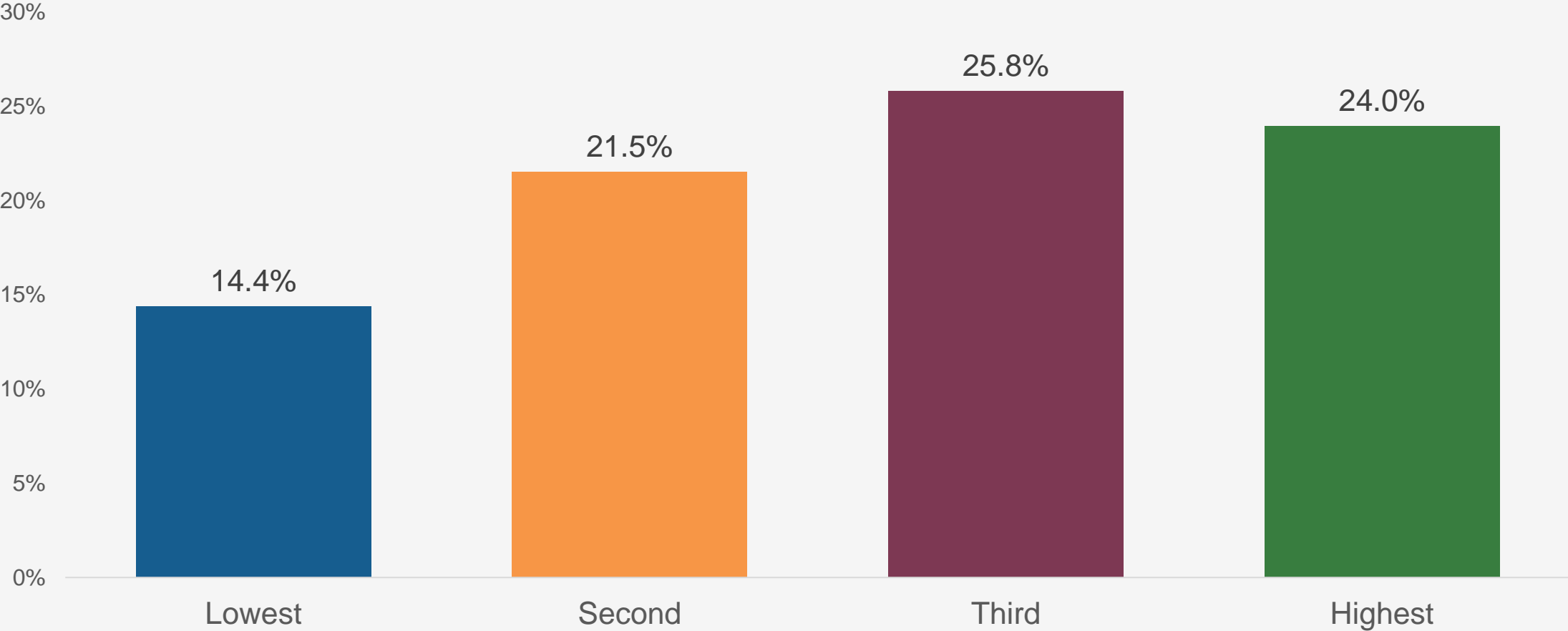
# PERCENTAGE OF FAMILIES HAVING STUDENT LOAN DEBT BY VARIOUS CHARACTERISTICS

# Percentage of Families Who Have Student Loan Debt, 1992-2019



Source: EBRI estimates of the 1992, 2001, 2010, 2013, 2016, and 2019 Survey of Consumer Finances.

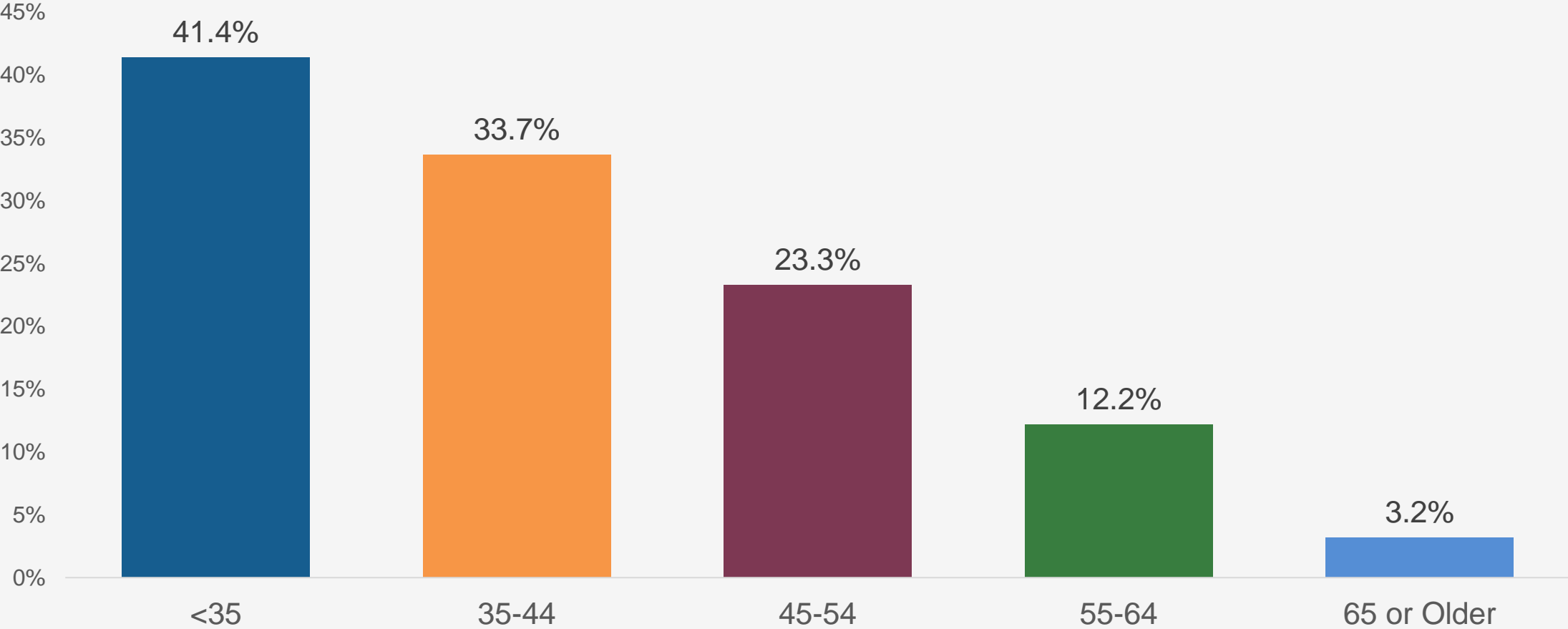
# Percentage of Families Who Have Student Loan Debt, by Family Income Quartile, 2019



Source: EBRI estimates of the 2019 Survey of Consumer Finances.

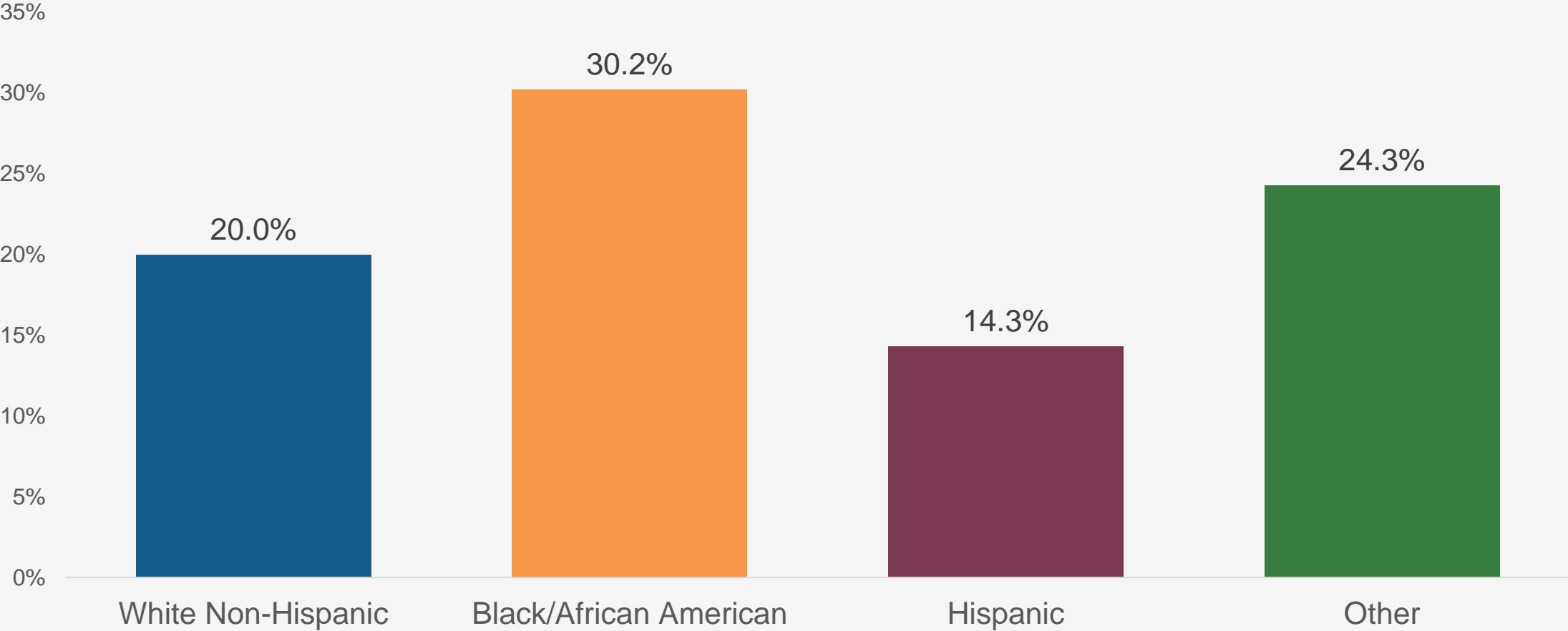


# Percentage of Families Who Have Student Loan Debt, by Age of Family Head, 2019



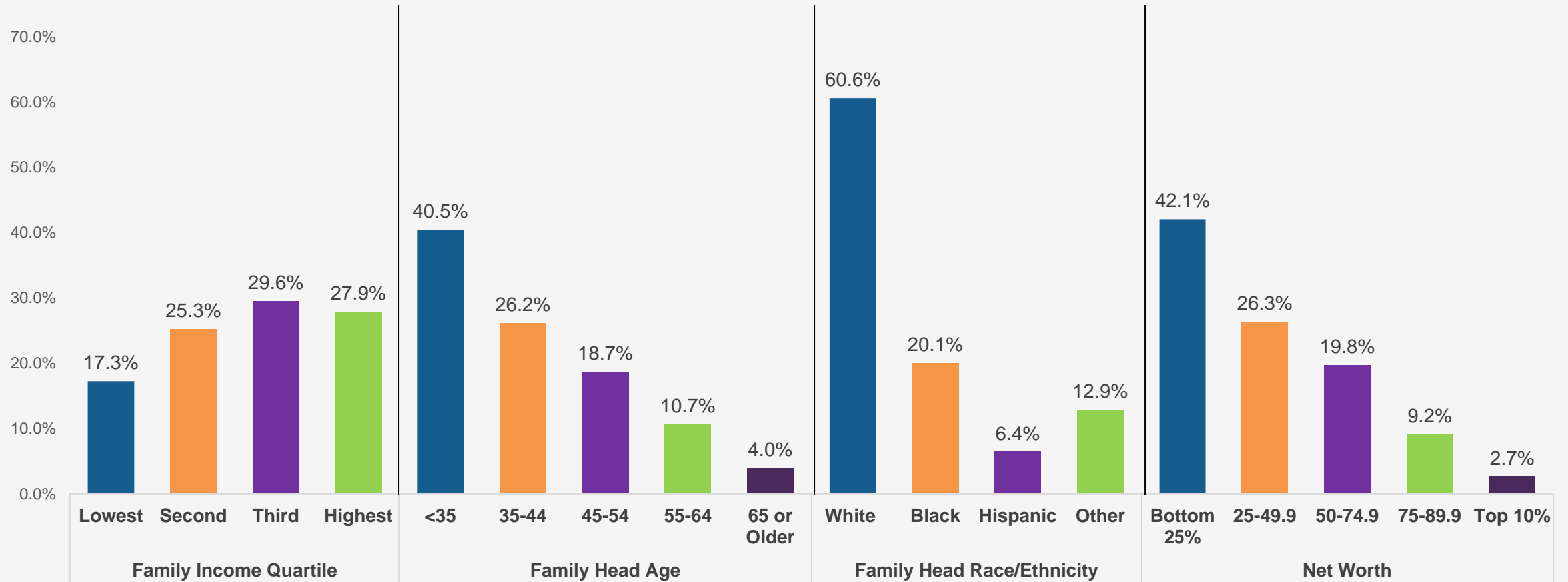
Source: EBRI estimates of the 2019 Survey of Consumer Finances.

# Percentage of Families Who Have Student Loan Debt, by Race/Ethnicity of Family Head, 2019



Source: EBRI estimates of the 2019 Survey of Consumer Finances.

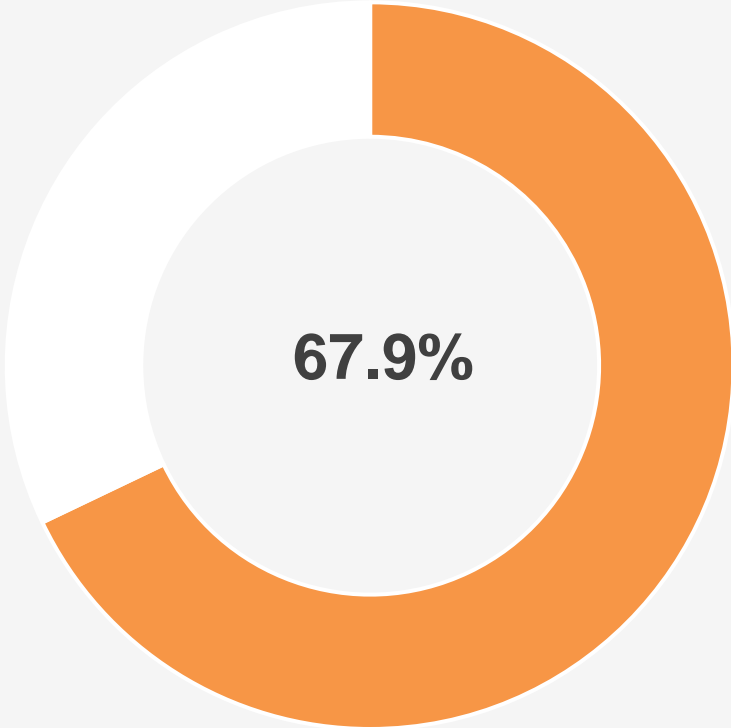
# Distribution of Families With Student Loan Debt, by Various Demographic Characteristics, 2019



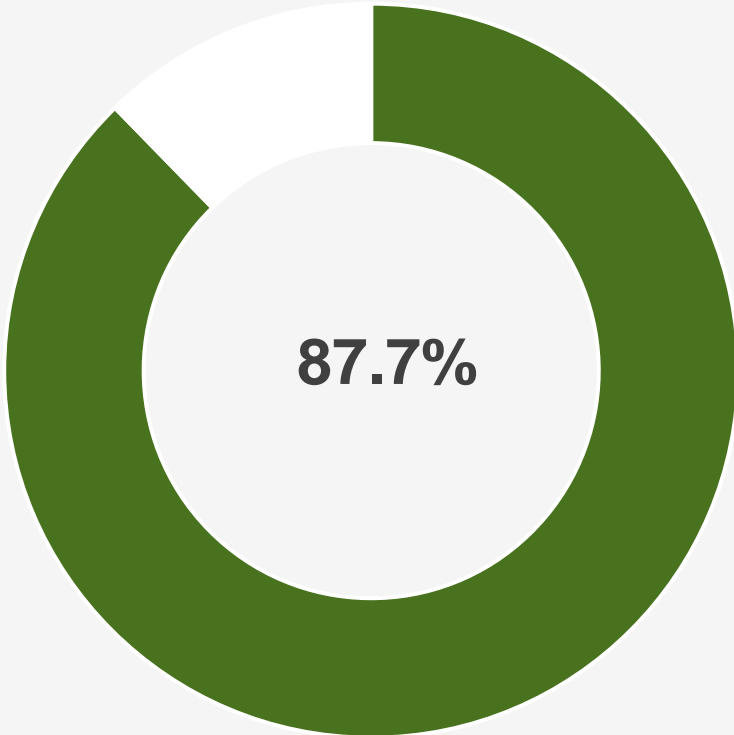
Source: EBRI estimates of the 2019 Survey of Consumer Finances.

# Share of the Total Value of Student Loan Debt Held, by Specific Groups, 2019

Net Worth or Family Income Top 50%

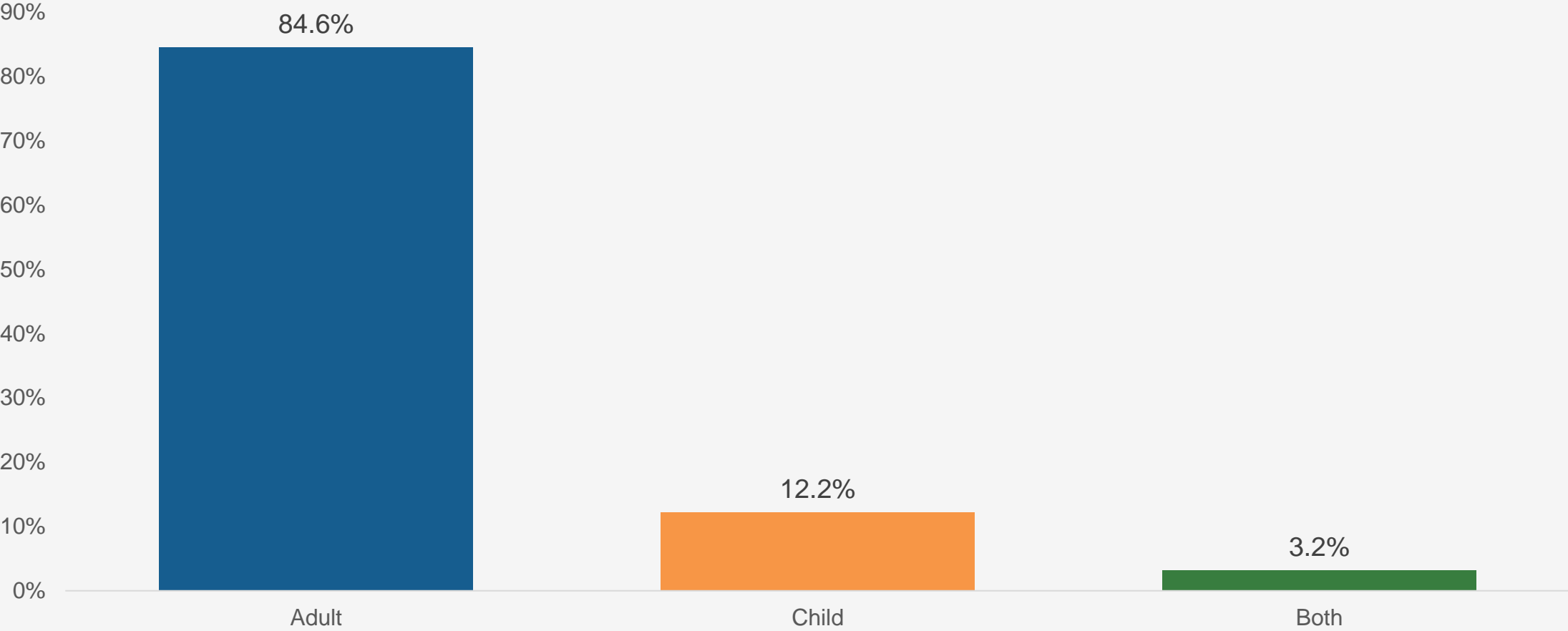


Net Worth or Family Income Top 50% or Family Head With a College Degree



Source: EBRI estimates of the 2019 Survey of Consumer Finances.

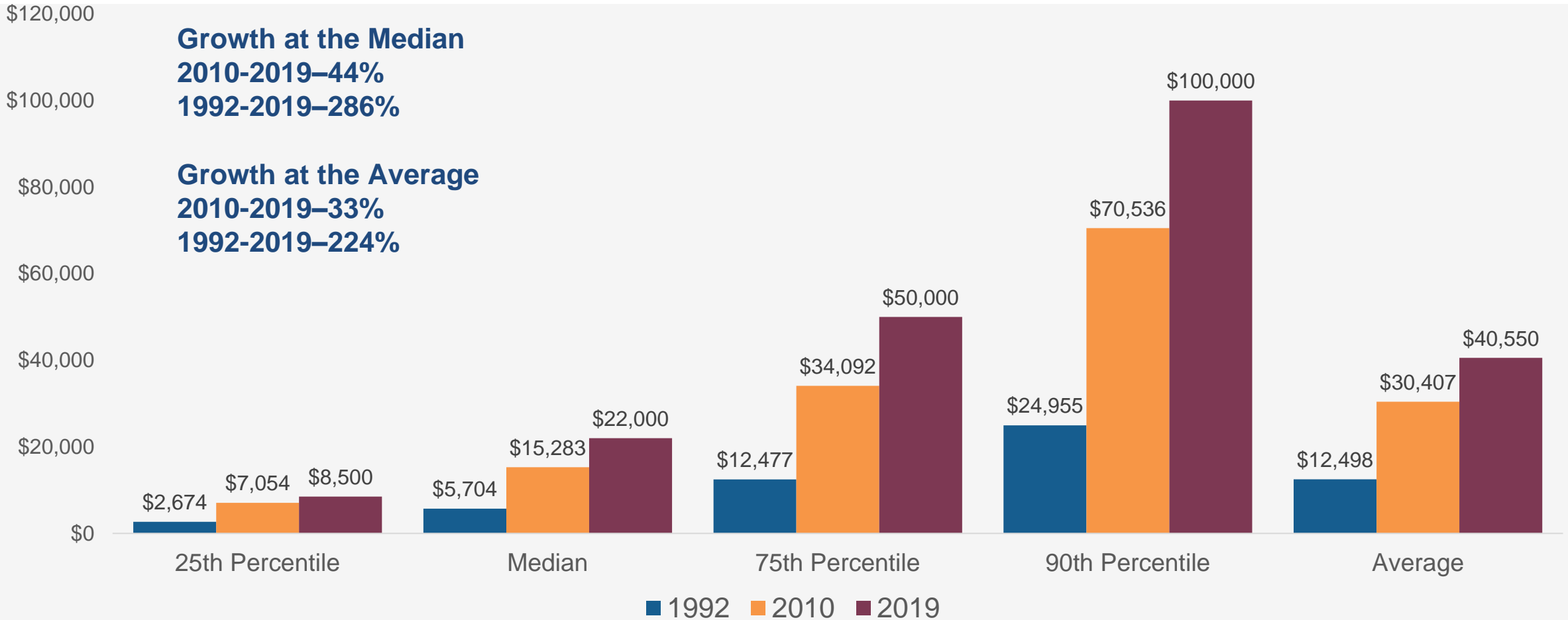
# Distribution of Whose Education the Student Loan Debt Financed, 2019



Source: EBRI estimates of the 2019 Survey of Consumer Finances.

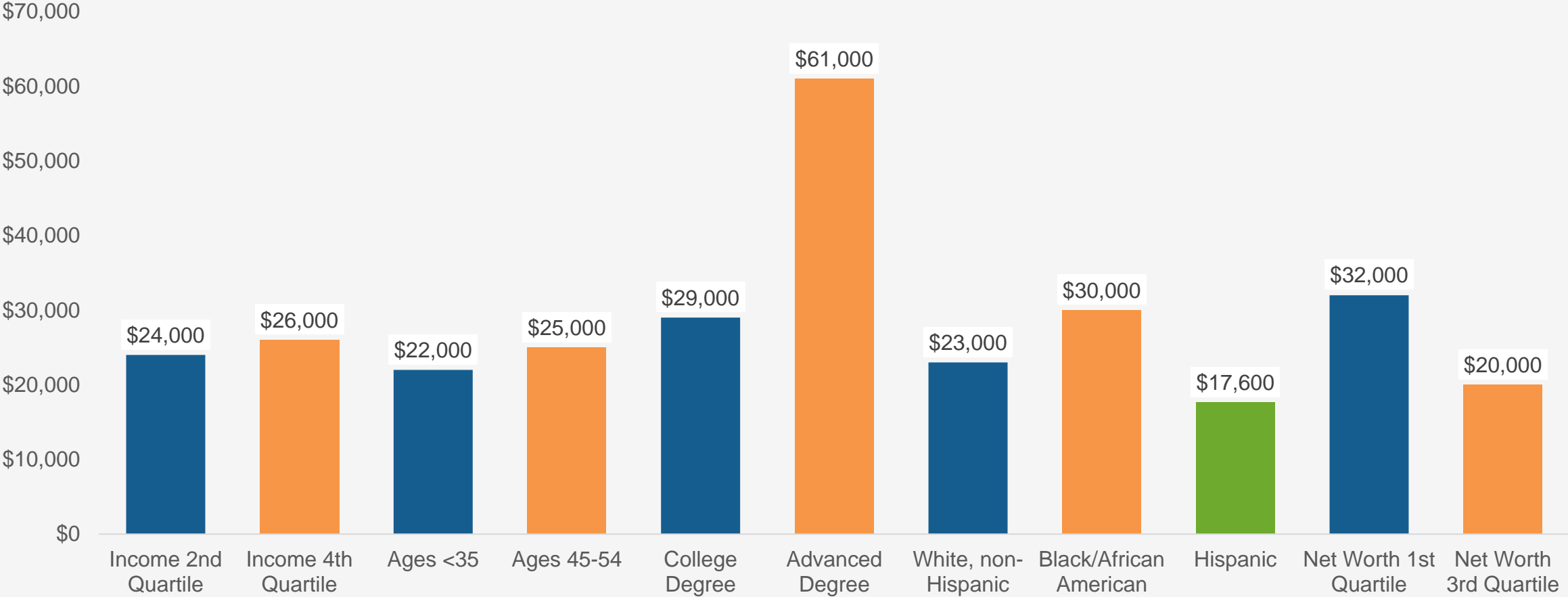
# STUDENT LOAN BALANCES

# Distribution of Student Loan Balances Held by Families, 1992, 2010, and 2019



Source: EBRI estimates of the 1992, 2010, and 2019 Survey of Consumer Finances. Note: All dollar amounts are in 2019 dollars.

# Median Student Loan Balances (of Families Having This Debt), by Various Characteristics of the Family or Family Head

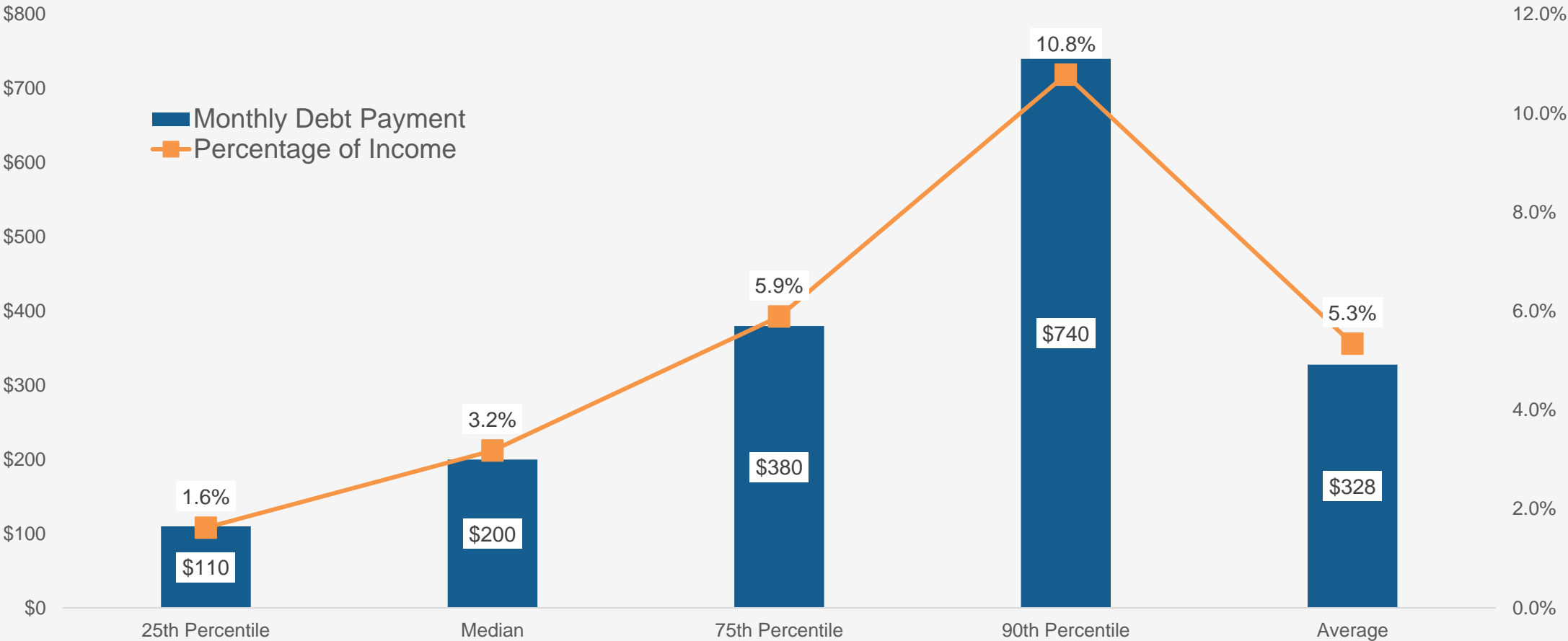


Source: EBRI estimates of the 2019 Survey of Consumer Finances.



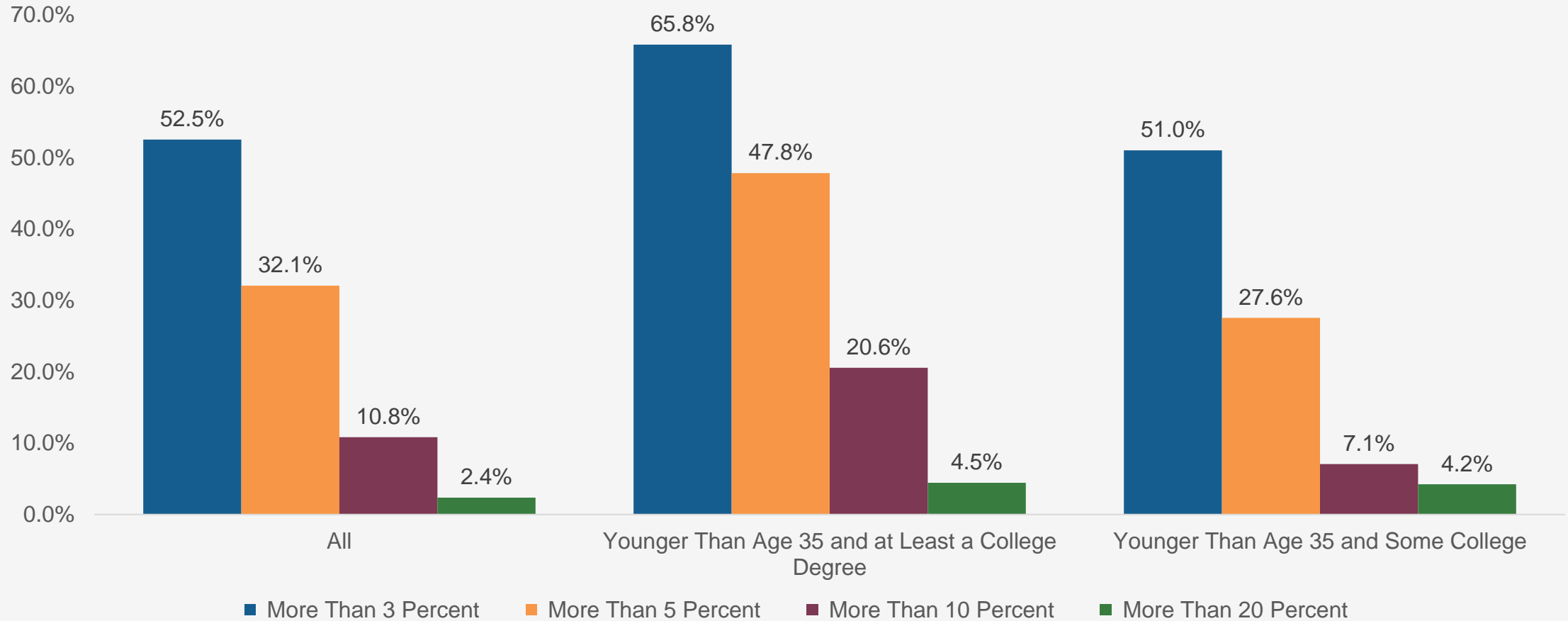
# STUDENT LOAN PAYMENTS

# Distribution of Reported Required Family Monthly Student Loan Debt Payments and of the Percentage of Family Income That the Debt Payments Represent, 2019



Source: Employee Benefit Research Institute estimates of the 2019 Survey of Consumer Finances.

## Percentage of Families With Student Loan Debt Payments Above Various Percentage of Family Income Thresholds, 2019



Source: Employee Benefit Research Institute estimates of the 2019 Survey of Consumer Finances.

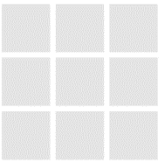
# Takeaways

- The percentage of families with student loan debt more than doubled from 1992 to 2019 but had leveled off from 2016 to 2019.
- Families with higher incomes (top 2 quartiles) and family heads who were younger or were Black/African American were more likely to have student loan debt.
- Among the families having student loan debt, families with white, non-Hispanic heads represented 60 percent, those with heads younger than 35 — 40 percent, those with incomes in the top half — 57 percent, and those with net worth in the lowest quartile — 42 percent.
- Families with incomes or net worths in the top half held 67.7 percent of the student loan debt in 2019.
- The median student loan balance among the families having this debt was \$22,000 in 2019. This debt required a median monthly payment of \$200. At the median, these payments translated into 3.2 percent of family income.



# STUDENT LOAN DEBT AND RETIREMENT SAVINGS

Joshua Dietch – VP, Retirement Thought Leadership



# Framing the retirement savings and student loan debt problem – Dueling crises

**\$3.8  
trillion**

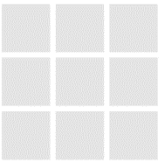
Americans estimated  
retirement savings  
shortfall<sup>1</sup>

**\$1.5  
trillion**

Amount of money  
Americans owe in  
government-issued  
student loan debt<sup>2</sup>

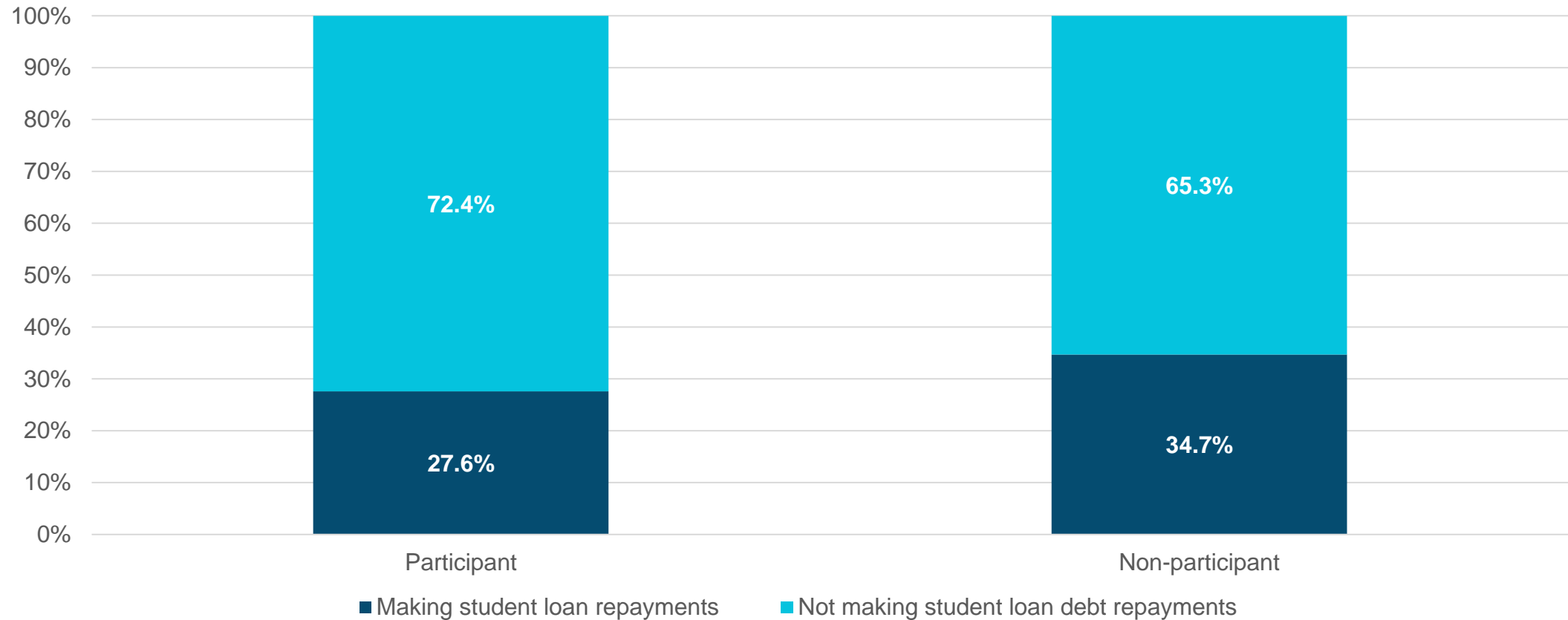
<sup>1</sup> VanDerhei, Jack, Ph.D., "Retirement Savings Shortfalls: Evidence from EBRI's 2019 Retirement Security Projection Model®." ebri.org Issue Brief, March 7 2019, No. 475, p. 11.

<sup>2</sup> T. Rowe Price analysis of Federal Student Loan Portfolio (inclusive of Direct, Federal Family Education Loans, and Perkins Loans)



# Participants with student loan debt are less likely to save for retirement

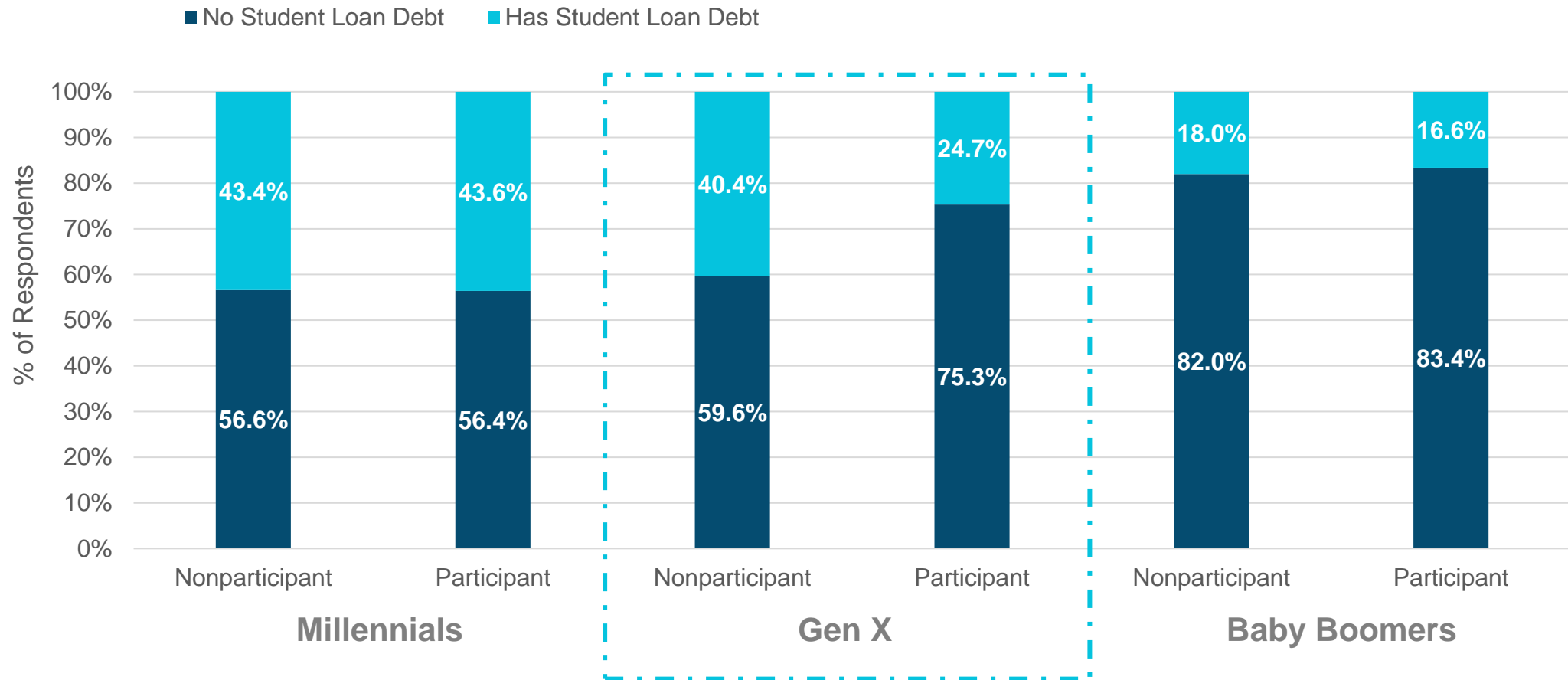
## Student Loan Debt and Retirement Plan Participation



Source: T. Rowe Price Student Loan Survey, December 2019

# Using a sharper lens - Gen Xers with student loan debt struggle more than others to save for retirement

Retirement Plan Participation and Incidence of Student Loan Debt



Source: T. Rowe Price Student Loan Survey, December 2019

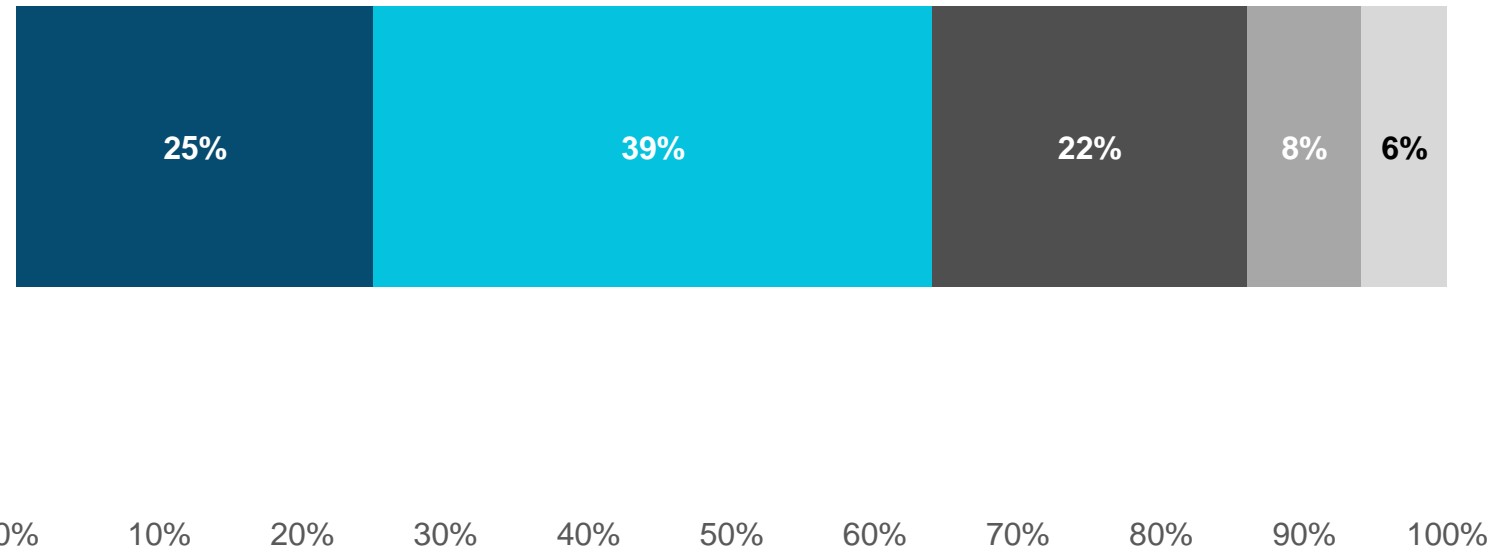


# Student loan debt is viewed as “good” debt

## Perception of Student Loans

■ Strongly agree ■ Agree ■ Neutral ■ Disagree ■ Strongly Disagree

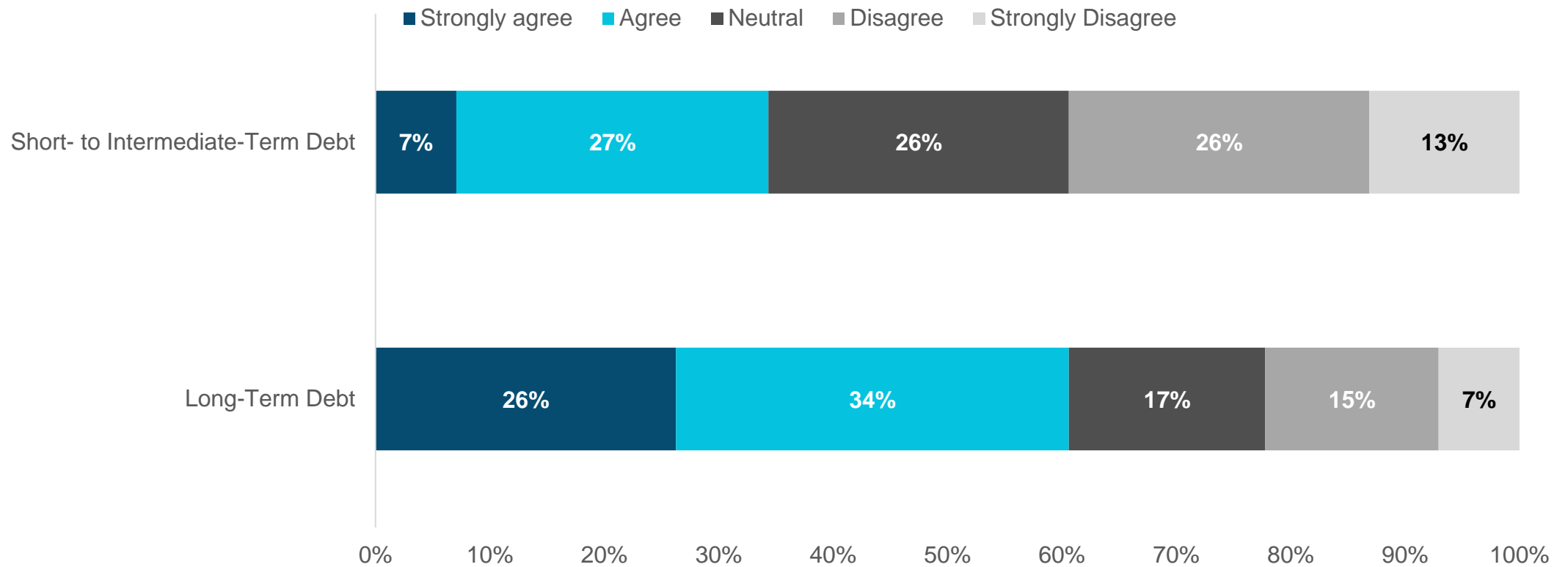
Education is a good investment for the future, even if it means taking on loans to pay for it



Source: T. Rowe Price Student Loan Survey, December 2019

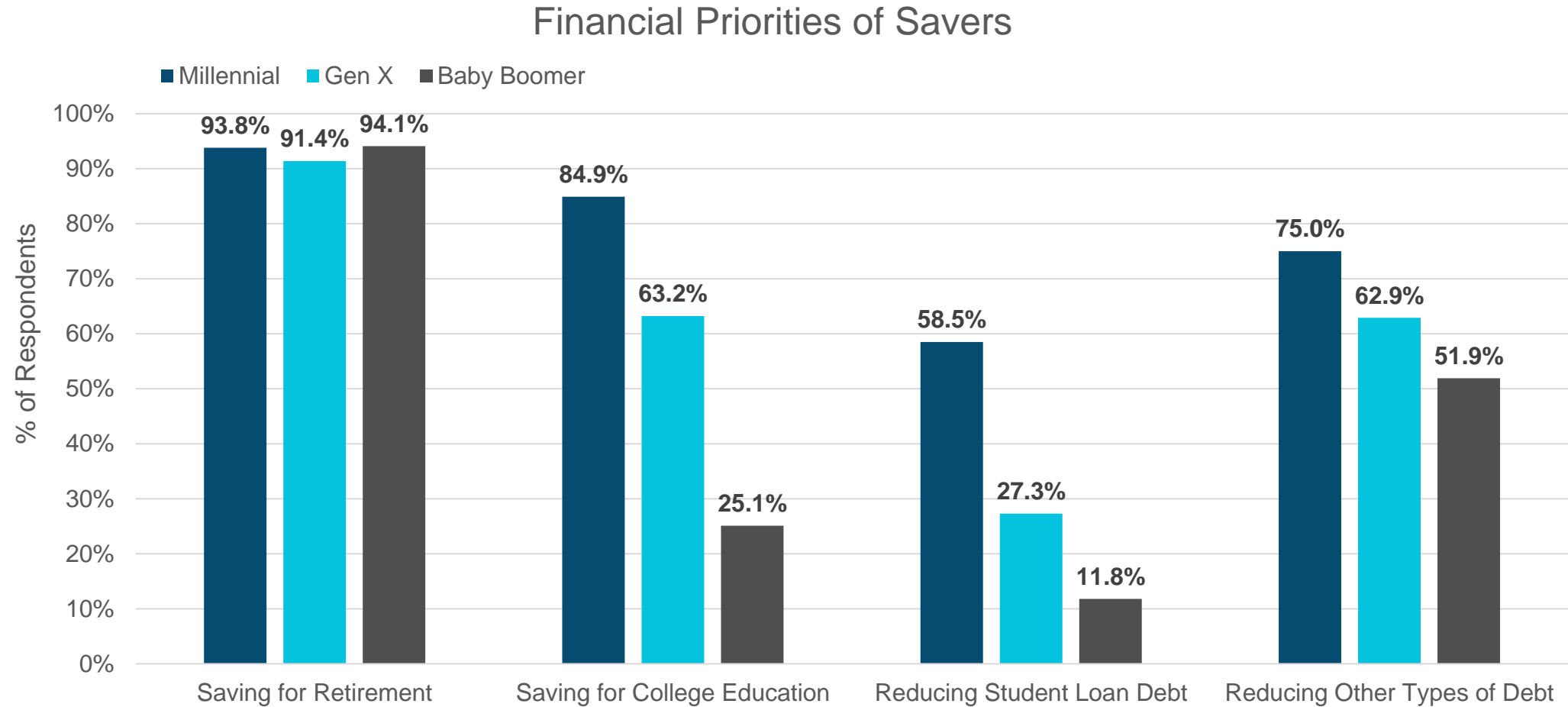
# Borrowers view student loan debt as long-term debt

## Perception of Student Loan Debt Repayment Duration



Source: T. Rowe Price Student Loan Survey, December 2019

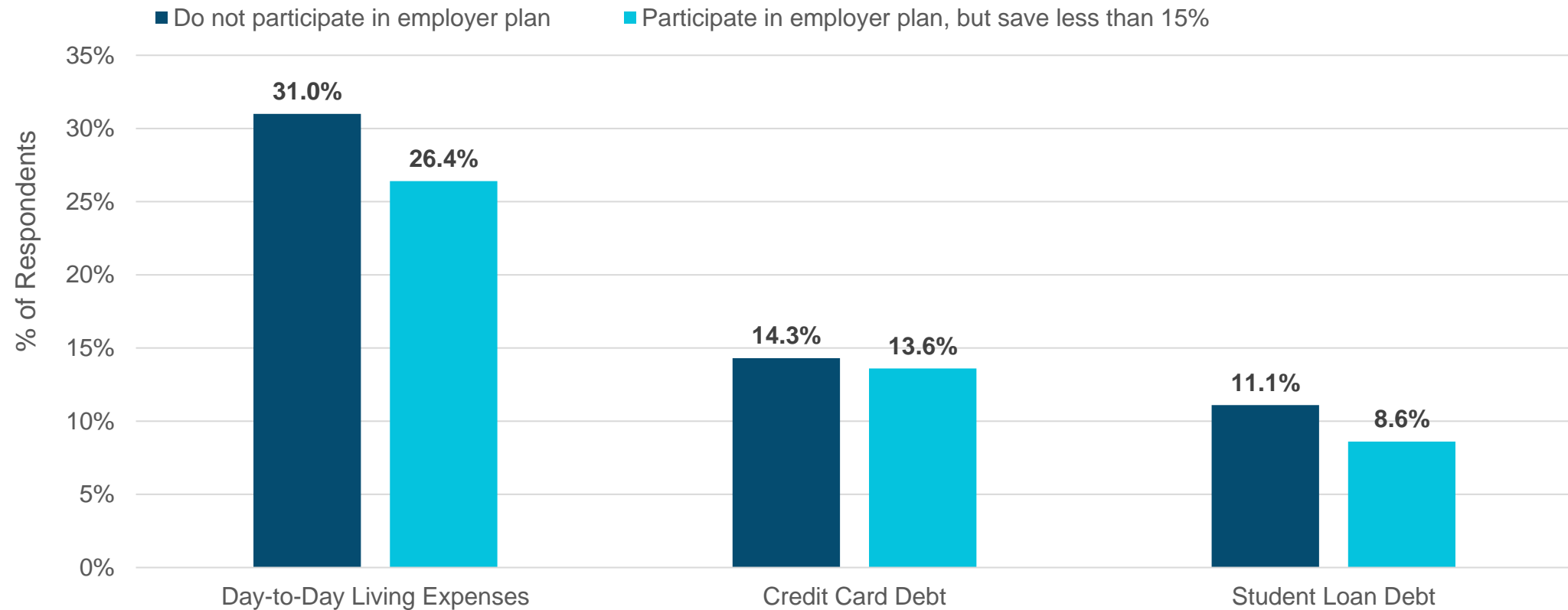
# Retirement is by far the greatest financial priority of savers



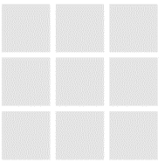
Source: T. Rowe Price Retirement Savings and Spending Study, 2019

# Daily living expenses are the most common barrier to saving for retirement

Reasons for Not Participating or not Savings 15% of Wages

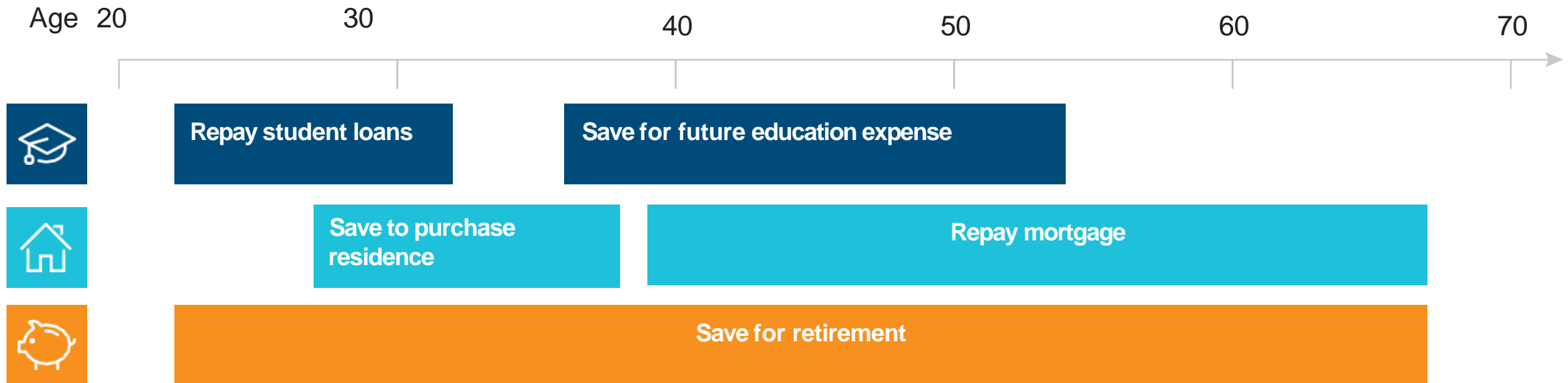


Source: T. Rowe Price Student Loan Survey, December 2019

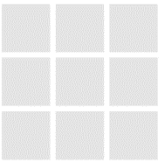


# Delaying of student loan debt repayment could impact the timing of other lifestage financial goals

## Hypothetical Lifestage Financial Goals



Hypothetical timeline of debt repayment and savings goals



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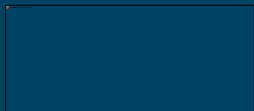


**THANK YOU**



# How student loan repayment benefits can empower your workforce and your bottom line

TJ Donovan, Head of Sales — Gradifi by E\*Trade







# Student loan debt has an impact on the workforce...

67%

of employees reported feeling stressed about their finances<sup>1</sup>

80%

of working professionals with student loan debt consider it to be a source of significant or very significant stress<sup>2</sup>



1. <https://www.pwc.com/us/en/private-company-services/publications/assets/pwc-2019-employee-wellness-survey.pdf>
2. Oliver Wyman, "The Student Loan Repayment Benefit – Opportunities to Serve a Pressing Financial Need," 2017



## With student debt at an all time high, your employees' priorities have changed, but your company benefits likely haven't.

According to an Oliver Wyman survey, among working professionals with student debt:

- 80%** of respondents consider their debt to be a source of **significant stress**
- 45%** also selected student loan repayment assistance as the single most **compelling employee benefit** among potential options that included additional retirement and health care contributions
- 58%** indicate that they would prefer that their employer make payments to **help reduce their student debt versus making additional contributions to their retirement funds.**
- 90%** of these respondents indicated that student loan repayment assistance would positively impact their decision to accept a job offer, to recommend an employer or to want to stay at their current employer.<sup>1</sup>



1. Oliver Wyman 2017 Survey of Student Loan Finances. Conducted May 2017. Survey included 3,002 US households between 18-50 in age, with a bachelor's degree or more, who are either employed or seeking employment. Of the 3,002 households that qualified to complete the survey, 1,012 had outstanding student loans.

But only

# 8%

of employers currently offer student loan repayment assistance as a benefit.<sup>2</sup>

2. Society for Human Resource Management's 2019 Employee Benefits survey, <https://www.shrm.org/resourcesandtools/hr-topics/benefits/pages/younger-workers-seek-student-loan-aid-and-career-development.aspx>



## Tax legislation regarding student loan repayment benefits

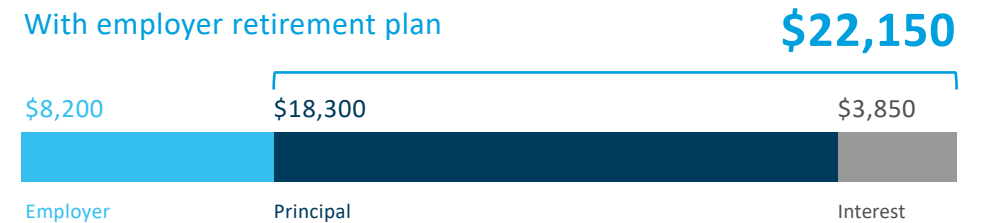
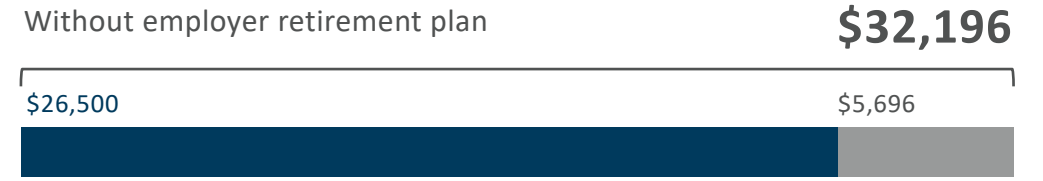
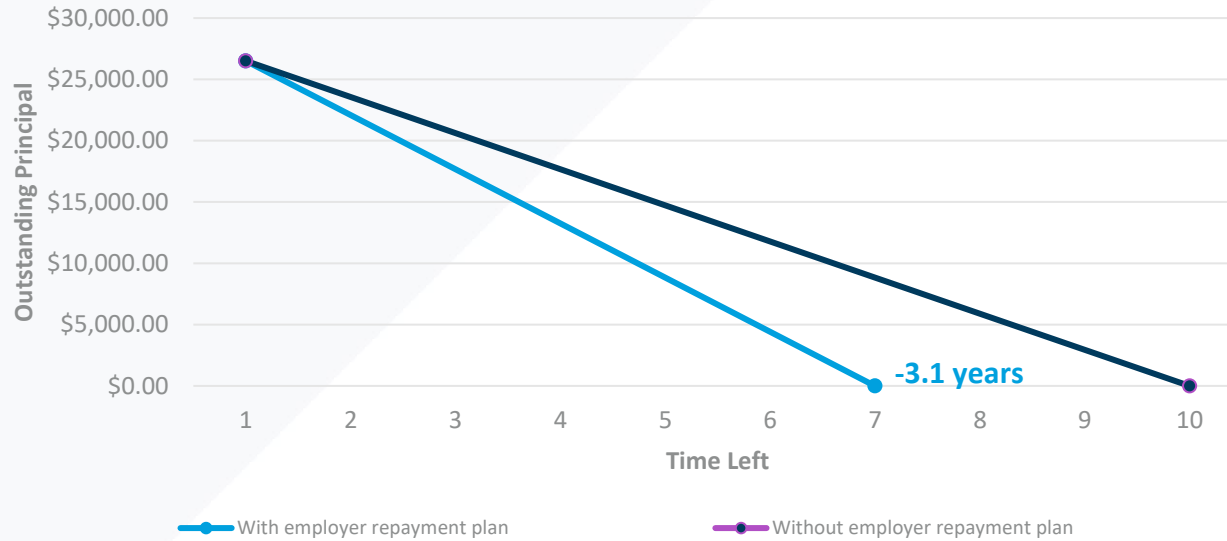
- The CARES Act is a stimulus package passed by Congress in March 2020. It included provisions regarding the tax treatment of employer contributions towards employee student debt. Up to \$5,250 per employee annually will be tax-free when it comes to employer contributions.
- The new law amends Section 127 of the Internal Revenue Code to extend an existing tax exclusion for employer-provided educational assistance to include payments of qualified education loans by an employer.
- The legislation regarding student loan repayment benefits was extended for five years, through 2025. This was originally part of the CARES Act, but was extended in the Consolidated Appropriations Act, 2021.





# Impact of a \$100 monthly employee contribution to the median bachelor's degree borrower

Assumptions: \$26,500 loan balance, 4% rate, and 10-year term



Pay off debt **3 years, 1 month earlier** and **save \$10,046** with a \$100 monthly employer contribution



Estimated savings include total SLP contributions plus estimated interest savings. Assumes extra payments are applied throughout repayment term of the loan and that borrower continues to make regular monthly payments. Individual savings will vary.



## The impact to your bottom line

This commonsense solution allows for employees to receive up to \$5,250 per year towards their student loans tax-free.

This is a benefit that employees have asked for and are looking for. This is a way to keep the talent you worked hard to find, and market to those who are looking for help from an innovative employer.

Cost of Benefit	
Eligible Employees	1,000
Estimated Participants	250
Monthly Contribution	\$100
Annual Contribution/Participants	\$1,200
Total Annual Budget	\$300,000

Cost of Turnover	
Employees Impacted	250
Estimated Attrition	16% <sup>1</sup>
# of Employees	40
Est. Cost of Turnover (assuming average employee income of \$145,000)	\$72,000 <sup>2</sup>
Total Cost of Turnover	\$2,880,000



Savings of \$360,000 if just five of these employees stay



\*For modeling purposes only, assumes generic company and utilization estimates

1. Percentage is for illustrative purposes and does not represent actual statistics

2. <https://www.gallup.com/workplace/247391/fixable-problem-costs-businesses-trillion.aspx>



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# Q&A



## Upcoming Events

Wednesday, March 24 — [Unraveling the Retirement Nest-Egg Calculus: Why Do People Spend the Way They Do in Retirement? Featuring a Members-Only After Show Discussion](#)

Wednesday, April 7 — [The Three Certainties of Life: Death, Taxes, and Updates From EBRI's HSA Database](#)

Wednesday, April 21 — [Location, Location, Location: The Impact of Site of Treatment on Health Care Costs](#)

### **Save the Dates:**

#### **American Savings Education Council Partners' Meeting**

*Savings Considerations for Minorities in America*

**April 29**

**Spring Virtual Policy Forum May 10, 11, and 13**