

EMPLOYEE BENEFITS

Student Loan Repayments to Resume in October: Employers, Be Prepared

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After more than three years on pause, federal student loan payments are scheduled to resume in October. For the 43 million Americans holding this debt, the resumption of a monthly payment averaging \$503¹ might come as a shock. Household budgets will feel squeezed, discretionary cash stretched thinner and financial stress becoming even more palpable. Financial stress and trauma are already pressing issues for nearly three-quarters of American workers².

Employees Will Ask for Help - What Can Employers Do?

Employees will likely seek help in the months ahead due to the re-emergence of student debt servicing. Employers should be prepared to provide resources to help employees grapple with financial stress and the new pressures the resumption of federal student loans may trigger.

To prepare, here are three key actions employers can take right now:

1. Inventory all available resources first, particularly if they are already included in the broader benefit plan. Typically, benefits found in employee plans have some component for financial well-being. For example:
 - » The retirement savings plan may offer budgeting, saving tips and planning resources.
 - » The life and disability plan may have wealth accumulation and asset protection information and tools.
 - » The Employee Assistance Program may offer debt management resources and counseling assistance.

2. Understand how these various benefits can help, how they may interact across platforms and what service gaps and resources still exist. From there, you can decide which resources to leverage and what benefits to add.
3. Consider tuition assistance programs and student loan assistance programs. This decision is more costly and requires a detailed understanding before introducing either or both.

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Tuition Assistance Programs

Tuition assistance is a long-standing benefit that employers offer to help employees pay for ongoing education. Similar to most benefits, the scope of the support provided can be customized by an employer and could include the following:

- Tuition reimbursement for approved degrees or programs up to a defined limit
- Educational stipends for continued education
- Professional development funds for programs related to the profession
- Scholarships and grant awards for employees and dependents for a defined purpose or program

Student Loan Assistance Programs

Student loan assistance programs help employees manage debt accumulated from past education expenses. These programs can provide support and guidance for employees, helping them navigate their options and reduce their debt as much as possible. Some common offerings include the following:

- Loan repayment assistance with an employer-funded monthly benefit payment. Typical employer contributions are \$100 - \$200 per month in assistance for employees actively paying off their loans. Currently, employers can provide up to \$5,250 in student loan repayment annually as a tax-free benefit for employees.
- Student loan assistance resources, such as digital and personal consulting resources to help with budgeting, can help your employees learn to save and best manage their loans. These services can help employees consolidate loans, refinance to lower interest rates, learn about their Income-Driven Repayment (IDR) options and opportunities for debt relief, and complete and submit complex government loan forgiveness applications.
- In 2024, the Secure 2.0 Act will help address the financial reality that many employees face limited budgets and may not be able to pay off a student loan and contribute to their 401k simultaneously. The law will allow employers to provide 401(k) contribution matches based on the employee's student loan payments.

Practical Tips Outside of Benefit Plan Offerings

Here are some practical tips for employers to offer employees when discussing concerns surrounding student debt that sit outside of benefit plan offerings:

- ✓ **Contact your loan servicers** to understand your payment obligations, duration of the loans, and options, if any, that may be available to provide relief. Since approximately 44% of all borrowers now have a different federal student loan servicer than before the pandemic³, you may need to find your new servicer on-line at <https://studentaid.gov/> or by calling Federal Student Aid at **800-433-3243**.
- ✓ **Check out the variety of repayment plans and options** offered by the Department of Education. Possible relief options include loan consolidation, refinancing or income-driven repayment (IDR) plans, which cap monthly bills at a set percentage of income and reduce the outstanding balance. A new IDR plan option called SAVE is proposed to halve monthly payments for many borrowers with undergraduate loans and help some reach loan forgiveness more quickly. The SAVE relief is still in proposal form but expected to be finalized by the Department of Education later this year.
- ✓ **Assess your financial goals**, budgets and spending habits. There are numerous publicly available resources to help aggregate financial information, create budgets, and provide education and guidance.



To evaluate the positives that stem from student debt-related benefits, consider these potential business outcomes:

1 Attracting and Keeping Top Talent

Student loan assistance can help employers attract and retain highly skilled and talented individuals, especially among recent graduates burdened with student loan debt.

2 Enhanced Employee Productivity

Employees with financial worries may experience reduced productivity and increased stress. Employers can improve overall employee well-being and job performance by alleviating the burden of student loan debt.

3 Competitive Advantage

In a competitive job market, offering student loan assistance can differentiate an employer from others and position the company as an employer of choice.

4 Diversity and Inclusion

These programs can promote diversity and inclusion by making it easier for employees from diverse backgrounds to pursue higher education and career opportunities with less worry about the associated expense.

5 Employee Loyalty and Engagement

When employees feel supported and valued, they are more likely to be engaged and committed to their work, leading to an improved overall workplace culture.

When the federal student loan repayment process resumes in October, the need for these programs will be greatly magnified and instigate many employee questions and requests. Be prepared!

¹ <https://educationdata.org/average-student-loan-payment>

² *Employee financial stress is at an all-time high* (hrmorning.com)

³ <https://www.consumerfinance.gov/about-us/blog/office-of-research-blog-update-on-student-loan-borrowers-as-payment-suspension-set-to-expire/>



About the Author

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Ted Kane is a Partner at Brown & Brown. His primary focus is strategic planning, benefit administration and customer service for large employer health and welfare benefit programs. In recent years, he has become increasingly involved with financial wellness strategies and designing and implementing voluntary benefit solutions. Ted has over 30 years of experience in the employee benefits industry, including co-founding a benefits advisory firm and holding various sales and leadership roles at MetLife. Ted received a Bachelor of Arts in Economics from Harvard University and his MBA from Babson College. He has also earned the Certified Employee Benefit Specialist (CEBS) designation, Global Benefits Management certification, Certified Long-Term Care certification (CLTC) and is a Licensed Insurance Adviser.



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