

The New 'Wow' Employee Benefit

Innovative new program uses 401(k) and 403(b) employer matching dollars to pay student loan debt.

Summary

- Student loan debt is a crisis, affecting 44 million Americans worth \$1.5 Trillion and 70% of new college graduates.
- Student loan debt affects jobs, housing, credit & retirement.
- Cutting-edge companies are adding student loan assistance programs.
- Assistance programs available today add significant costs for employers.
- Thrive has a unique budget-neutral solution for companies enabling employees to make contributions and use 401(k) & 403(b) employer matching funds for student loan repayment.
- Thrive helps innovative employers to hire and retain top talent without increasing costs.

Student loan debt is having a tremendous impact on millennials' lives. It is influencing where employees work, and how they live and spend their money. College graduates with student loans want help from employers tackling this issue.

Employers are getting the message. To hire and retain college graduates, companies are adding student loan assistance programs. The challenge to employers is providing meaningful assistance without breaking the bank.

The headlines tell the tale: student debt is a National financial crisis

The statistics are staggering:

- 44 million borrowers have accrued \$1.5 trillion in student debt.
- \$32 Billion of student loan debt is in default and more than 1 million borrowers default each year. By 2023, nearly 40% of borrowers are expected to default on their student loans.
- 70% of recent college grads have student loans.
- 35% of student debt is held by individuals over age 40.

Behind these statistics are stories of millions of college graduates struggling to make their student loan payments.

Challenge to employers: building a much-needed NEW employee benefit

While recent graduates feel tremendous stress in paying their student loans, employers feel a different stress. Many are in a war for talent. The competition for college-educated workers is not new, but in today's labor market it is more intense than ever before. As of November 2018, the national unemployment rate was just 3.7%, and unemployment for college graduates was only 2.0%.

For companies whose success relies on professionals, bringing aboard and retaining high quality talent is a top priority. For the prospective employee, salary is only one consideration with creative and meaningful benefits packages becoming a competitive necessity. A recent Forbes.com headline termed student loan repayment “The Job Perk of the Future.”

Recent surveys show:

- Student loan repayment is the #2 most desired perk among millennials. (Unum)
- 95% of professionals under 30 with student debt would be more willing to accept a job offer if the benefits included student loan repayment. (SoFi)

Clearly, employers are taking note. While only 4% of companies currently offer student loan assistance, this is expected to increase by 24% in 2019.

How companies are currently providing student loan assistance

Some companies are beginning to provide direct *student loan* repayment assistance by contributing an amount to their employees’ student loans. However, direct contributions will be a **major** expense for employers. Take, for example, ABC Company who provides \$150 student loan assistance, per month, per participating employee. If 200 employees participate, the total cost would be \$360,000 per year. Even if ABC Company attempts to cap their per employee lifetime exposure to \$10,000 per employee – they are still shelling out \$2,000,000 in incremental expenses.

A New & Innovative budget neutral idea: using matching dollars for student loan repayment

In August 2018 the IRS issued a letter ruling (reportedly for Abbott Labs) opening the door for companies to help employees repay student loans and save for retirement under a 401(k) plan.

David Krasnow, a leading national retirement plan advisor, has heard the call from his corporate clients for the last 2 ½ years to help their employees struggling with student loan debt. In 2018, Krasnow and his team started offering Federal student loan assistance to their plan participants. But he knew there was more that could be done. Upon learning about the IRS ruling, Krasnow partnered with BenefitEd to offer a new, cutting-edge, **budget-neutral** employee benefit company called **Thrive: Flexible Matching Program**.

Thrive is a unique innovation enabling employees to contribute a portion of their salary to student loan repayment and allocating a percentage of their employer matching dollars to that debt. For example, if an employer’s retirement plan has a matching provision of 5%, an employee can determine how much of that 5% match to allocate to retirement and how much to their student loan debt.

Thrive also take the administrative work off the employer by handling all back-end administration. This includes making payments to each participant’s student loan provider, including both the employee contribution and the employer match, as well as providing employee notification of payments made and real-time tracking tools.

The result is a customized retirement and student loan repayment program – with flexible matching. Thrive allows innovative employers to provide a “Wow” benefit that is ***budget neutral*** by simply allowing employees to allocate existing matching dollars however they choose without an additional cost to an employer.

Research shows Thrive will have tremendous impact on employees with student loans because:

- 46% of employees would rather have student loans repayment assistance than a 401(k)/403(b) match.
- 92% would take advantage of a match for student loan repayment similar to a 401k/403(b)match.

Fred Reish, a leading ERISA attorney, reviewed the Thrive Program and termed it “a unique innovation for companies that believe a student loan program would be a valuable benefit to attract and retain employees.”

Chuck Mullen, chairman of a mid-sized accounting firm in Akron/Cleveland, Ohio with just over 100 employees and over 3,000 clients, is so excited about the Thrive concept that Mullen said he wants to be one of the first companies nationally to adopt and implement Thrive both internally as well as to roll it out to his entire client base. Mullen believes, “This is a game changer for our employees and clients. Business is so competitive, this helps us win the race to the moon!”

His instincts are dead-on. Research shows that 76% of employees feel student loan repayment would be a deciding factor in accepting a job, and 86% would feel compelled to stay at an employer at least five years in exchange for student loan repayment.

As companies evaluate and consider student loan assistance programs, Thrive’s innovation of using existing employer matching dollars to help employees repay their student loans – without increasing their benefits budget – is breaking new and much-needed ground. This program is likely to become an important benefit for millennials and an important tool for leading-edge employers in appealing to employees.

To learn more about how Thrive would work for your company and employees, visit www.thrivematching.com or call 216-595-0700.