

THE POWERFUL BENEFIT YOU  
MAY BE OVERLOOKING:

## College savings and loan repayment



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- According to Education Data Initiative, the average student loan balance for 2021 graduates was around \$30,000.
- A survey by American Student Assistance found that 86% of employees would commit to a company for five years if the employer helped pay back their student loans.
- According to an Edward Jones survey, 86% of employees would participate in a 529 savings plan if it was offered by their employer.

- Data from Student Loan Hero shows that 54% of younger talent prefer a student loan payment assistance program over a 401(K) plan, while 45% of all employees feel the same way.
- A 2017 study from the Center for Financial Services Innovation found that 1 in 3 workers are distracted at work because of money problems.
- According to a survey by the Employee Benefit Research Institute, 17% of employers offer student loan repayment assistance, a number that has grown in part due to new legislation that extended the tax benefits for these programs.



With huge advantages for talent acquisition and retention, 529 college savings and loan repayment benefits are a no-brainer. And amidst the uproar over the college debt crisis, the timing has never been better for employers to step in to help.



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Here are two ways that your company can support employees while positioning your business as an attractive workplace:

1

### **529 Plans**

Employer-sponsored 529 plans are tax-advantaged education savings accounts offered to employees through their workplace benefits program. 529 plans can help employees save for K-12 tuition, higher education, and trade schools for themselves or a loved one.

As much as employees appreciate the tax advantages of 529 accounts and payroll deductions, engagement rockets when employers contribute to these plans with matching contributions. Like 401(k) plans, the “free money” coming from employer contributions substantially increases the perceived value of a 529 benefit.

2

### **Student loan repayment benefits**

Student loan repayment benefits allow employers to make payments of up to \$5,250 annually tax-free through 2025. For employers to take advantage of this tax benefit, they must set up an educational assistance program that meets the requirements of IRS Code Section 127. The payments have to be made for a “qualified education loan incurred by the employee for the education of the employee.”

Again, as with 401(k)s, a huge value of student loan repayment assistance comes from the employer’s contribution, which significantly boosts the appeal of this benefit.

### **Thinking about how these benefits can benefit you? Consider this:**

An employer that we just launched with our college savings and loan platform is contributing \$400 per month to each employee's student loans. Here's how they get to describe the value to their team:

- Median loan amount in the US: \$19,281
- Median student loan payment in US: \$222
- Assumed interest rate: 6.0%
- With a \$400 monthly employer contribution, this employer now gets to say;

“You no longer have to make a monthly payment to your student debt as long as you work here. (Because \$400 is greater than \$222.)”

Or...”Rather than paying your debt off in ~9.5 years, if you add the \$400 to your \$222 monthly payment, you could pay off your debt in ~2.8 years. That's almost 7 years earlier!”

Think about how that scenario renders lasting dividends for your employees, culture, and company.



About SavvyFi: SavvyFi is a user-friendly fintech platform that makes it easy for employers to provide college savings and student loan benefits for their employees. Because the company's platform is "zero-touch" to HR - without any complicated systems, integrations, or paperwork - SavvyFi unlocks education financing capabilities to even the smallest employers that would not otherwise be able to offer these benefits.

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