Think Tank Bulletin

By Greg Ward, CFP® • March 2023

Student Loan Debt on the Workforce

What's happening?

Currently, an estimated [43.5 million Americans] carry over [$1.7 trillion] in student loan debt—an average of over $37,500 per borrower. The Biden Administration's plan to forgive up to $20,000 in student-loan debt has been challenged in court, with oral arguments presented before the Supreme Court earlier this year. Although payments on federal student loans are currently suspended, forbearance is scheduled to end later this year. For workers who carry student loans, a reversal of the Biden policy coupled with the end to forbearance could be the proverbial straw that breaks the camel's financial back.

Why is it important?

The effects of student loan debt on the workforce are well documented:

- Lower job satisfaction and morale, resulting in higher employee turnover and higher administrative costs
- Reduced productivity
- Increases in absenteeism and tardiness
- Increase in number of days taken off
- Increased healthcare costs incurred by employers

Even with loan cancellation, some wonder if it is enough. Prior to the announcement, the California Policy Lab had estimated that nearly 8 million borrowers would be at high risk of missing payments once the moratorium was lifted. Among employees with student loans who completed a financial wellness assessment in 2022, **37 percent** said they were struggling to keep up with payments despite the moratorium.

What can I do to help?

Employers can help employees who may struggle with student loan debt in the following ways:

1. **Educate –** Provide information to help employees with federal student loans determine if they qualify for loan forgiveness under the plan, and what they can do if the plan is struck down.
2. **Assist –** Help borrowers save for retirement by adopting SECURE 2.0 provisions that allow matching contributions for student loan payments (beginning in 2024).
3. **Promote –** Incentivize workers to engage with their financial wellness benefit.

Student loan borrowers who reported struggling with payments were **less likely to report struggling after engaging with their financial coaching benefit**.

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