



FIDUCIARY EDUCATION

# Understanding Student Loan Matching Programs

Help employees improve financial wellness while building retirement savings.

**Americans making student loan payments have 36% less saved for retirement than those without this financial burden.<sup>1</sup>**

AVERAGE MONTHLY STUDENT LOAN PAYMENT:<sup>2</sup>

**\$203**

POTENTIAL RETIREMENT SAVINGS IMPACT:<sup>\*</sup>

**\$535,945**

\* Calculation based on \$203 monthly investment over 40 years at hypothetical 7% annual return.

# Power up retirement savings while paying down student debt

Transform your benefits package and foster financial wellness with a student loan matching program—an innovative solution that helps employees tackle paying off student loans while saving for retirement.

## Here’s how it works

- Employees make their regular student loan payments.
- Employers match those payments with contributions to their retirement accounts.

### Attract and retain top talent

40% of employees would change jobs for better benefits.<sup>3</sup> Student loan matching can help you stay competitive, especially with Millennials and Gen Z.

### Boost financial wellness

Help employees achieve two goals at once: paying off loans and saving for retirement. Less stress means higher productivity and retention.

## Example

### STUDENT LOAN PAYMENT

EMPLOYEE STUDENT LOAN PAYMENT:  
**\$250/MONTH**

EMPLOYER MATCH:  
**\$125/MONTH ADDED TO RETIREMENT PLAN**

ANNUAL EMPLOYER CONTRIBUTION:  
**\$1,500**

### GROWTH POTENTIAL

AFTER 10 YEARS:



\* Assumes 7% annual return and \$125/month employer contributions. Actual results will vary.

## IRS green light (Notice 2024-63)

Starting in 2025, employers can contribute to retirement plans based on employee student loan payments. Below are the key provisions and requirements for compliance and effective implementation.

### Key provisions and requirements

#### Qualified student loan payments

- Payments must meet specific criteria to be considered "qualified" under the program.

#### Applicable plans

- The program applies to the following retirement plan types:
  - 401(k)
  - 403(b)
  - Simple IRA
  - 457 plans

#### Employer matching contributions

- Employer contributions must be aligned with employee student loan payments.
- Employers can only match up to a defined percentage or dollar limit.

#### Eligibility requirements

- Clear criteria must be established to determine which employees are eligible to participate.

#### Employee certifications

- Employees must certify that their student loan payments are valid and meet program requirements.

#### Plan document updates

- The retirement plan document must outline how the student loan matching program operates, including:
  - Verification processes
  - Contribution tracking procedures
  - Reporting requirements

#### Nondiscrimination testing relief

- Plans offering student loan matching contributions may benefit from specific nondiscrimination testing relief for compliance.

#### Plan amendments

- Employers must amend their plan documents to include the student loan matching provisions.
- This requires consultation with a third-party administrator (TPA) or legal expert regarding compliance with regulatory standards.

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These provisions outline the framework for integrating student loan matching into retirement plans, providing employees with dual financial benefits while maintaining regulatory compliance.

## Administration and operational processes

Efficient administration is necessary to implement and manage a student loan matching program. Here's a breakdown of key steps to streamlining operations and maximizing employee engagement.

### Employee participation

#### *Enrollment*

- Create a user-friendly enrollment process (online or paper) with clear instructions for employees.
- Require employees to submit annual certification of their student loan payment status.

#### *Verification of payments*

- Partner with a third-party administrator (TPA) or recordkeeper to validate student loan payments.
- Accept proof of payment, such as loan statements, payment receipts, or lender-generated reports.

### Employer actions

#### *Tracking contributions*

- Collaborate with payroll providers or TPAs to handle loan payment validation.
- Automate employer contributions to retirement accounts once employee loan payments are verified.
- Sync payroll and recordkeeping systems to reflect real-time contributions seamlessly.
- Explore fintech solutions specializing in student loan benefits administration to simplify processes and improve efficiency.

#### *Promote the program*

- Provide employees with regular updates on employer contributions and retirement statements to keep them informed.
- Use targeted campaigns, such as emails, webinars, and flyers, to announce and explain the benefit.
- Highlight the dual impact of reducing debt and building retirement savings to emphasize the value to employees.

#### *Provide ongoing support*

- Offer access to financial wellness tools and resources to help employees manage their finances effectively.
- Include retirement projections to illustrate the long-term growth potential of matched contributions, motivating participation.







By following these steps, organizations can effectively implement and manage a student loan matching program that can deliver both operational efficiency and meaningful benefits to employees.

**Before implementing a student loan matching program, consider:**

1. Does a student loan matching program align with your workforce demographics and organizational goals?
2. Would it make sense to add a program to an existing retirement plan (consider administrative complexity and associated costs)?
3. Student loan matching programs aren't a one-size-fits-all solution. Are there alternative solutions that may be more appropriate to help address financial wellness?

## Ready to transform your benefits?

1. Assess your workforce needs and budget.
2. Align with your benefits strategy and goals.
3. Connect with a financial professional.

## We can help you take a closer look.

Contact us to explore if a student loan matching program is a good fit for your organization.

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<sup>1</sup> Copeland, Craig et al. "Student Loans and Retirement Preparedness." Employee Benefit Research Institute. Feb. 2024.

<sup>2</sup> Horymski, Chris. "Average Student Loan Payments to Top \$200 Once Resumed." Experian. Jun. 2023.

<sup>3</sup> Willis Towers Watson. "2024 Global Benefits Attitudes Survey." Jun. 2024.

This information was developed as a general guide to educate plan sponsors and is not intended as authoritative guidance or tax/legal advice. Each plan has unique requirements and you should consult your attorney or tax advisor for guidance on your specific situation.

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