Student Loan Repayment Benefits

By Bobbi Kloss

In today's competitive landscape for attracting employees, employers have to be creative to deliver a compensation package that is going to attract, retain, and motivate employees. The Affordable Care Act (ACA), the millennial generation, and lack of skilled laborers are just some of the factors that have employers scratching their heads as they search for ideas on how to fill open slots and maintain their workforce.

With ACA equaling the playing field, traditional health and welfare benefits are no longer the carrot, which draws candidates to any particular employer. Many new benefits are now being considered to provide employers with a competitive advantage, including paternity leave, commuter subsidy, housing assistance, and (quickly becoming one of the most popular), student loan repayment benefit.

Why is Student Loan repayment an important benefit consideration?

First, in an effort to begin paying down their portion of the mass amount of student debt incurred (an average of $30,000.00 per student equaling $1.3 trillion in national student debt), new hires will jump to the first job, typically dismayed between the salary they expected and the salary received. To pay down their debt, applicants will accept the lower offer, though with their eye on the next bump in increase or jumping ship for a more desirable compensation package.

Secondly, for those employees pursuing graduate degrees, the cost of the degree has current employees motivated to move up the career ladder. A student loan repayment benefit may help prevent the desire to look elsewhere in any transition period If their current employer does not have an available mechanism in place for advancement.

Arming themselves with knowledge, trusted benefit advisors should be aware that 76 percent of respondents to the Life Delayed survey conducted by American Student Association agreed that their choice to take a job would be considerably affected or decided based on an employer's willingness to offer a student loan repayment program.

Flexibility in plan design

So, what is an employer to do today to stay competitive in the market? Employers like PwC, who typically lead the way in offering an attractive benefit package, are establishing creative student loan repayment plans. From offering a flat monthly amount, to a bonus at milestone anniversary dates, to split contributions, and to student loan repayment and distribution into a 401(k).

For an employer considering a student loan repayment benefit option, they will need to remember that this is considered taxable income to the employee, unlike the familiar tuition reimbursement, which provides employers a deduction up to $5250 paid on behalf of the employee. If including employer distribution into a 401(k) plan, employers will also need to remember to amend the plan.

From an employee relations standpoint, it would be important to consider recommending that if you are offering benefits to a class of employee that it may be beneficial to keep employee morale high by balancing the benefit offerings. If another employee does not have student loans, employers should consider ensuring they offer a variety of work/life benefit options to meet variables in the workforce.

You should determine if this benefit makes sense for your organization. A quick Google search pulls up programs available such as Ed Assist, through Bright Horizons, which offer a Student Loan Repay program that will allow for direct pay down of the student's loan.

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