STUDENT LOAN BENEFITS:
4 KEYS TO AN EFFECTIVE PROGRAM

GOT DEBT?

Chances are, the majority of your workforce would say a resounding, "yes." Seventy percent of today's newly minted graduates are coming to work carrying an average of $35,000 in student loans.[1] That kind of financial obligation is impacting job decisions as well as performance, putting student debt on the radar of business leaders, who are competing for talent amidst the tightest labor market in years.[2]

In response, a growing number of companies are making headlines (and grabbing employees' attention) by creating student loan assistance programs. It's understandable; with more and more graduates entering the workforce with debt,[3] the potential payoffs are huge. And directly addressing student loan challenges can make your company much more attractive to join, and much more desirable to grow with.

> **BUT LIKE ANY TALENT INVESTMENT, THE OUTCOMES OF THIS NEW PROGRAM NEED TO OUTWEIGH THE COSTS.**

To design a student loan program that gives you a clear and measurable advantage, there are four questions you have to carefully answer first.

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[1] Sparshott, Jeffrey. "Congratulations, Class of 2015. You're the Most Indebted Ever (For Now)." WSJ.com, May 8, 2015.
[2] "United States Unemployment Rate." Trading Economics, n.d. Web. March 31, 2016
[3] Cochrane, Debbie and Matthew Reed. "Student Debt and the Class of 2014." The Institute for College Access & Success, October 2015.

I. WHAT PROBLEM ARE YOU TRYING TO SOLVE?

Loan repayment programs can support a range of business goals, from attracting key employees, to retaining them, to supporting development of a particular skill set.

> **TO GET THE MOST FROM YOUR INVESTMENT, START BY PRECISELY DEFINING WHERE YOU SEE STAFFING GAPS EMERGING, AND THEN DESIGN YOUR PROGRAM TO SPECIFICALLY ADDRESS THOSE NEEDS.**

The place to start is with your policy:

- Looking to beef up your talent pool in a specific specialty? Provide student loan repayment only for relevant degrees (or provide a higher repayment amount).
- Want to reduce turnover? Step up your loan contribution amounts over time.
- Trying to attract young workers faster to replace boomer retirees? Offer the program to those with degrees earned in the past five years.

Approach every aspect of your policy design, from decisions about who you're trying to include, to the size of the benefit, and what supporting services are available (more below) with your business goals in mind. All of these elements add up to a tightly knit program that delivers precisely where you need it to.

This approach also turns the conversation about a new benefit on its head. Rather than getting confronted with questions about how much the program will cost, you'll be equipped to describe how much the program will produce for the business.

2. HOW ARE YOU GOING TO MAKE PAYMENTS?

How and to whom are you going to make payments? This is critical. Why? Assigning an employee to handwrite checks to everyone participating in your program is cumbersome and time-consuming; it can create confusion over approvals, resulting in bottlenecks or worse… costly delays in payment. And writing checks directly to employees creates additional obstacles: what if employees use the money for something other than the loan? What if employees still miss debt installments, even though you're making your contributions to them? In these scenarios, you've spent company resources without alleviating the loan problem you were trying to solve.

> **THE BEST PRACTICE FOR STUDENT DEBT PAYMENTS IS ROUTING THEM DIRECTLY TO THE LOAN SERVICER.**

Automating payments in this way:

- Ensures that payments are made on time
- Ensures that the money your business is investing goes directly toward the loan debt
- Separates this investment in your employees from other forms of compensation, to help it stand out

Another important consideration is the frequency of payments. Monthly or biweekly payments can provide a steady reminder of this unique and meaningful benefit, but there are also reasons to consider an annual lump-sum approach if retention is your chief goal.

3. DO YOUR EMPLOYEES UNDERSTAND THEIR DEBT?

Money is only one part of the debt crisis; knowledge – or lack thereof – is the other. Student loans are a notorious tangle of legalities; the rules differ from one loan type to another, and since loan ownership often passes from one servicer to the next (roughly 25% of loans are sold this way[4]) borrowers are often in a constant game of catch-up. It's not surprising that the vast majority of borrowers in one survey — 94% — were unable to define either their loan terms or repayment options.[5] Worse, refinancing vendors can often take advantage of borrowers who find themselves in a pinch. All of these challenges can leave employees feeling like student loans are impossible to get out from under.

> **TO HELP YOUR EMPLOYEES BE GOOD STEWARDS OF THE LOAN PAYMENTS YOU'RE MAKING ON THEIR BEHALF, YOU NEED TO GIVE THEM CREDIBLE AND PERSONALIZED GUIDANCE.**

Building objective finance guidance into your loan repayment benefit:

- Ensures that employees only make refinancing choices that improve their repayment outlook
- Helps people feel confident about their ability to repay
- Reduces the amount of time employees need to spend researching repayment options
- Guides employees to simultaneously make payments alongside the employer to reduce the length of the loan

These outcomes can multiply the value of your program substantially. The resulting fiscal savvy not only overflows into performance (poor financial well-being is a known drag on productivity[6]), it also supports the rest of your benefits platform, helping people find the disposable income to invest in things like 401(k)s. One study found that 73% of millennials with student loans had put off contributions to retirement and similar investments because of their current debt.[7]

[4] "CFPB Concerned About Widespread Servicing Failures Reported by Student Loan Borrowers." ConsumerFinance.gov. September 29, 2015.
[5] Matherson, Nate. "Student Loan Borrower Survey." LendEdu. January 22, 2016.
[6] Robison, Jennifer. "The Business Case for Wellbeing." Gallup. Web. n.d.
[7] "2015 EdAssist Millennials Survey." EdAssist. 2015.

4. WILL YOU KNOW HOW YOUR PROGRAM'S DOING?

Return on investment comes not just from seeing the results at year end, but from knowing how you're doing along the way. A well-designed platform will help you do that, but you'll have to consider how you plan to measure at every stage. That means tying metrics back to the policy and program goals you create at the start. Details such as what percentage of employees are using the program and whether those participants meet the profile that you're looking to attract or retain can help you measure and adjust early on.

Later you'll want to be able answer key questions, such as:

- **Are you reducing the time it takes to hire?**
- **Are you bringing on board more people with the right degrees and skills?**
- **Are you reducing unplanned turnover at the times where you typically lose top talent?**

These are the types of outcomes your program can support. But the success measures need to be built into the program from the beginning.

> **IN SUM, STUDENT LOAN ASSISTANCE IS NOT A ONE-SIZE-FITS-ALL STRATEGY. THE MORE TARGETED YOUR PROGRAM, THE EASIER IT WILL BE TO SHOW MEANINGFUL PROGRESS, AND THE BETTER ABLE YOU'LL BE TO OUTCOMPETE YOUR PEERS FOR TALENT.**