

# Plan Sponsor Perspectives

## Winter 2024

### **Student Loan Matching Contributions: Should You Offer It To Your Employees?**

One of the most anticipated provisions of SECURE 2.0 is the new option for employers to help employees who may be struggling to pay down student loans and save for retirement because they can't afford to do both.

Although other options exist for employers to help their employees pay for the cost of higher education, such as tuition reimbursement plans and student loan assistance, this new provision is different and potentially less expensive for the employer.

Effective January 1, 2024, employers who make matching contributions to a 401(k) plan, 403(b) plan, governmental 457(b) plan, or SIMPLE IRA may calculate those contributions based on an employee's student loan payments for the year instead of (or in addition to) any contributions the employee made to the plan on their own.

To be clear, this is not an additional payment or benefit for that employee. It is simply a matching contribution the employer would normally make if the employee made salary deferrals into the plan and was eligible to receive a matching contribution.

Further IRS guidance is needed to flesh out the details, but plan sponsors considering adopting this feature should be aware of the following:

- Matching contributions may be made into the plan based on qualified student loan payments (QSLPs). A QSLP is a payment made by an employee in repayment of a qualified education loan incurred by the employee to pay for qualified higher education expenses.
- Only QSLPs up to the deferral limit (or the employee's salary if less), reduced by the amount of any deferrals made, may be considered for the QSLP match each year.

- Plan sponsors may rely on an annual employee certification as to the amount of QSLPs and may establish an annual deadline (no earlier than three months after the end of the plan year) by which a claim for a QSLP match must be made.
- Employers must provide the QSLP match on at least an annual basis and can make the QSLP match at a different frequency than it makes other matching contributions (e.g., per payroll). If QSLP matches are made, they must be available to all employees eligible to receive a matching contribution on salary deferrals.
- The matching and vesting rates for QSLP matches must be the same as those that apply for matching contributions on salary deferrals

Employees receiving a QSLP match may be tested separately for nondiscrimination.

### **Should you offer student loan matching contributions?**

Considering the extra amount of time and effort it will take to administer a student loan matching program, you'll want to evaluate the demographics of your employees and your effectiveness in filling open job requisitions with top-notch talent:

- Do you have younger, lower-paid employees whose student loan burdens are preventing them from contributing as much as they could to your plan?
- Do you have older employees who have taken on a new round of student debt to gain the skills they keep up with their evolving job requirements and have had to reduce their plan contributions?
- Would offering student loan matching contributions help you retain your best employees or make your company more attractive to talented job-seekers?

If it looks like your company and employees would benefit by adding student loan matching contributions, talk to your plan administrator to find out what's involved in implementing such a program.

## Reuniting Former Employees with Their 401(k) Assets

Many job switchers leave their 401(k) behind to deal with later. As a result, they can end up with a string of 401(k) accounts tied to former employers, each with different fees, asset allocations, and custodians.

In its white paper, “[The True Cost of Forgotten 401\(k\) Accounts](#),”<sup>1</sup> Capitalize estimated that as of May 2023, there were an estimated 29.2 million forgotten or left-behind 401(k) accounts in the U.S., representing \$1.65 trillion in assets.

The average account balance of a forgotten 401(k) increased to \$56,616 from \$55,400, and, in aggregate, the assets left behind by job changers now represent nearly 25 percent of the total savings in 401(k) plans.

One provision of the SECURE 2.0 Act calls for the establishment of a centralized database where plan sponsors can locate former employees who still have assets in their plans and employees can find 401(k) plan accounts still with former employers.

It may be several years before this database comes online. In the meantime, if you’re trying to locate former participants, this [401k Specialist article](#)<sup>2</sup> offers some good tips.



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<sup>1</sup> <https://tinyurl.com/3sjwrs4u>

<sup>2</sup> <https://tinyurl.com/jr5vy22m>