The Missing Benefit in Financial Wellness

How companies handle employee financial wellness and the missing benefit that could energize their workforce.

Executive Summary

"Bachelor's degree required" is an all-too-familiar line for applicants to see in company job descriptions, but the rising price of higher education is proving to be too high a cost for workers. With 44 million Americans owing $1.4 trillion in student debt[1], CommonBond wanted to identify how this debt is impacting today's workforce across generations and the extent to which it is casting a shadow on employees' financial wellness. This comprehensive study draws insights from over 1,500 employees (aged 22 and over), as well as 525 human resources executives from five key industries.

The research found that student debt hurts the financial well-being of an overwhelming portion of respondents. Though human resources executives are highly committed to improving financial wellness in the workplace, a discrepancy in identifying the right benefits to address their employees' most pressing financial needs prevents them from fulfilling their vision. The study also found that student loan benefits can play a key role in bridging this gap, both by serving to attract, retain, and engage top talent, as well as by improving employee work performance. This report outlines key steps employers can take toward implementing such a program and gaining the executive buy-in they need to become more innovative in a competitive marketplace.

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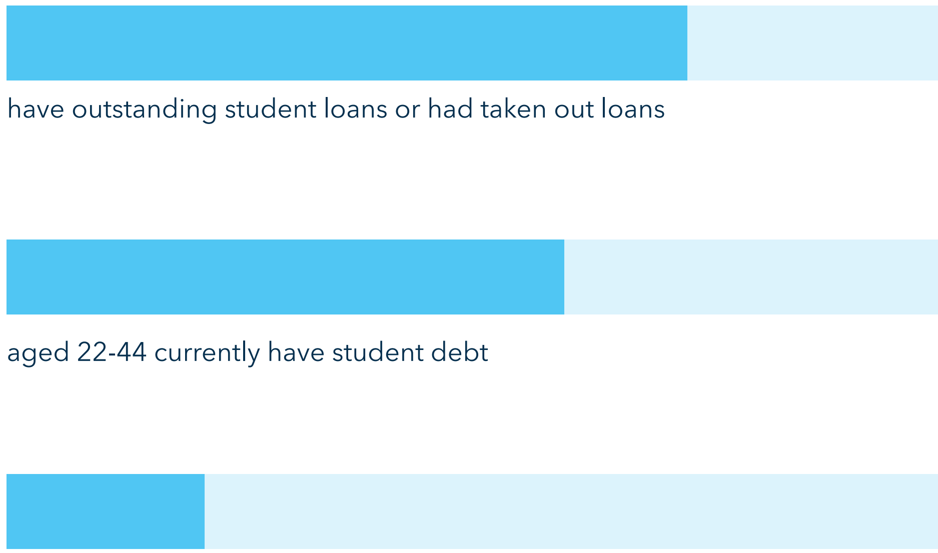
I. Beyond millennials

Student debt affects all employees—not just millennials

A common misconception around student debt is that it's primarily an issue faced by millennials. While they certainly bear the brunt of the student debt load, rising tuition costs and decreased financial stability have made student loan debt a multigenerational burden carried over many decades. The research examined a wide range of scenarios, from employees who currently have student debt to those who carry it for a friend or family member. The resulting data is striking.

Figure 1: Employees burdened by their own student debt

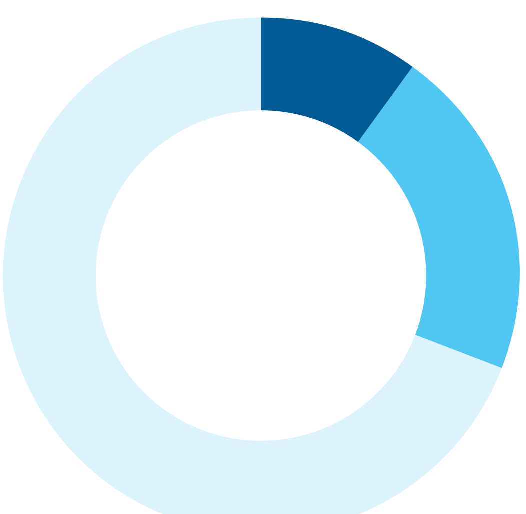


72%
have outstanding student loans or had taken out loans

59%
aged 22-44 currently have student debt

21%
over the age of 45 currently have student debt

Figure 2: Employees are burdened by more than their own debt



10%
have both their own student debt and that of a friend or family member

21%
plan to take out debt in the next five years for someone else's education

PART 1: THE RESEARCH I Beyond millennials

Most generations feel the weight of student debt

Contrary to popular belief, the study found that student debt affects the vast majority of the workforce population at some point in their lives (Figure 1). Of the 1,500 workers surveyed, 72% of respondents currently have or have had student loans to fund their own educations.

Companies rarely factor in future employee student debt

Our survey captured multiple generations' relationships with student debt, including two often-overlooked populations of employees—those planning to fund the education of a friend or family member in the very near future, and those who are currently carrying debt for both their own educations and those of friends or family members (Figure 2).

Broken down by age group, 18% of employees 55 and above carry debt for friends or family members, but the numbers don't shift much as age decreases—16% of employees aged 22-44 also have debt on behalf of someone else. These statistics reveal that while future student debt isn't traditionally measured by employers, it is clearly top of mind for many of their employees.

A look at student debt by the numbers

$1.4T[2]
Total U.S. student loan debt

$74.5B[4]
Total amount of Parent PLUS loans

$37,172[3]
Average student loan debt in 2016

$22,000[4]
Average Parent PLUS loan

Figure 3: Employees with student debt are more stressed about their finances

EMPLOYEES WITH STUDENT DEBT

report worrying about their personal finances "most of the time" or "always"

EMPLOYEES WITHOUT STUDENT DEBT

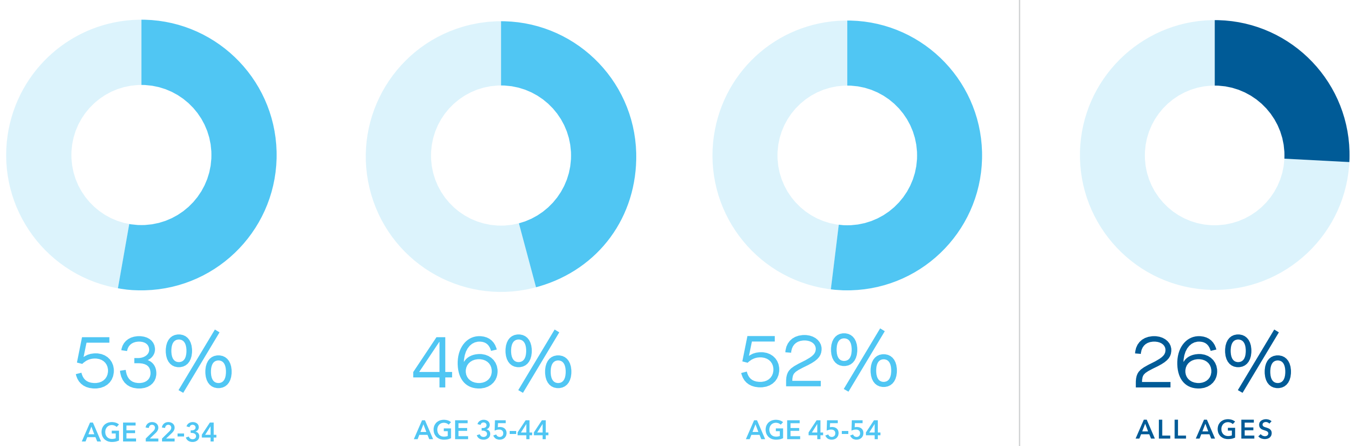


Figure 4: Student debt prevents progress in other areas of life

45%

have delayed important life choices due to student debt

Financial wellness must go beyond retirement savings

Student loans make a big impact on personal finances. According to our survey, twice as many people with student debt than without are worried about their personal finances. Across all generations, financial worries drop drastically for people who do not have student debt.

The impact of student debt is so pervasive that workers aren't opting into traditional financial wellness benefits that highlight saving for the future. **Sixty-one percent of respondents who worry about their finances regularly also said student debt has delayed or prevented them from saving for retirement**. In fact, 87% of employees with student debt and an employer retirement matching plan that they do not fully leverage cite student loan debt as the key factor preventing higher retirement plan contributions. Other financial goals that took a hit included traveling (reported by 56% of respondents) and buying a home (55%), which indicates the effects on financial well-being are widespread. These findings were true across generations.

These student loan findings are not just numbers. They highlight the imperative to widen the definition of financial wellness beyond retirement planning to include student debt management.

> Across all generations, financial worries drop drastically for people who do not have student debt.

II. The benefit disconnect

Most financial wellness programs are tailored to workers with no student debt

Our survey revealed both companies (95%) and employees (75%) recognize employers should take an active role in their employees' financial wellness. What's more, most of the human resources leaders in the survey recognize the stress their employees face due to finances. But a disparity exists between recognizing the need for financial wellness initiatives and implementing the most relevant programs.

Figure 5: Human resources leaders' perceived employee concerns vs. actual concerns of employees with and without student debt

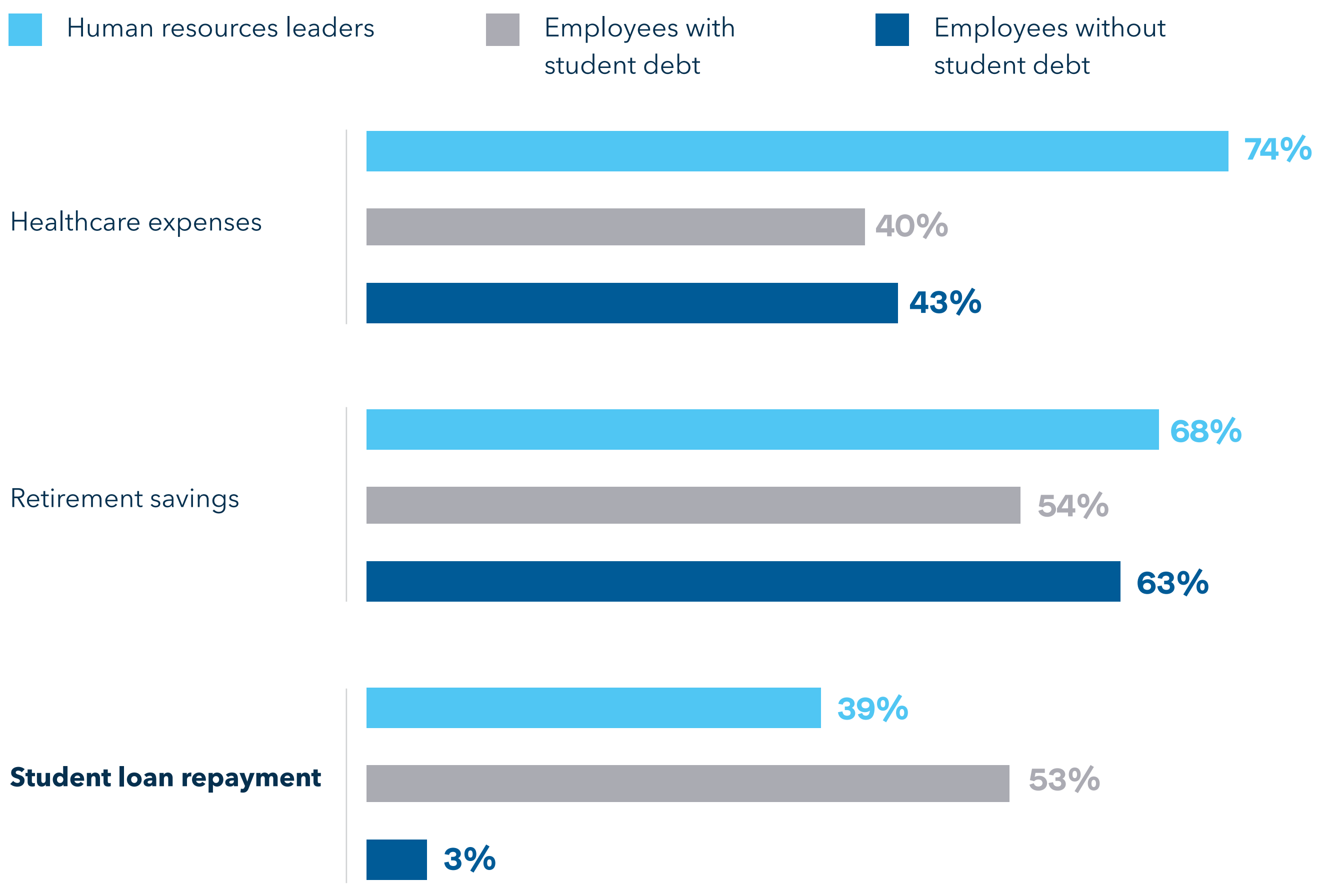


Figure 6: Key benefits employers say they'll improve over the next 3 years

Most programs today are tailored to workers without student debt

We explored types of employee financial concerns and how well human resources leaders perceived and addressed those concerns with employee benefits. When workers were asked which areas of financial well-being were of most concern, the results varied widely depending on whether or not they carried student debt. Employees with student loans ranked their debt roughly on par with concerns around retirement (Figure 5). **For workers aged 22-34, student debt significantly outranks retirement as the top concern (62% vs. 46%). Those without student debt had a much different perspective. Retirement and health-care were cited as their biggest financial stresses**.

Here's where perception gaps start to appear. When human resources respondents were asked which financial stresses weighed on employees most, they cited healthcare expenses (74% of respondents) and retirement savings (68%) as the top two concerns. These results showed that human resources executives may be overlooking the financial concerns of employees affected by student debt.

The study also asked human resources leaders about future plans for employee benefits. Approximately four in five of the human resources leaders in our survey are planning to make improvements to their employee benefit offerings within the next three years—but they are failing to take into account those with student debt (Figure 6).

Figure 7: Top financial wellness benefits human resources executives say best attract and retain talent

1. **Student loan repayment**
2. Financial planning / budgeting
3. Tuition reimbursement
4. Emergency loans
5. Identity theft protection
6. Pet insurance

Future planning should better reflect the needs of all employees

This non-student-debt perspective is also reflected in the types of financial wellness benefits companies offer. Out of the companies surveyed that offer financial wellness benefits (70%), the top benefits currently provided are financial planning (71%) and tuition reimbursement (59%)—far ahead of student loan repayment (25%). This was true for almost all industries, except in automotive where tuition reimbursement came ahead of financial planning.

It's clear employers realize student loan repayment is an essential benefit for talent attraction and retention (Figure 7). Unfortunately, current offerings do not reflect this awareness.

What's more, employees across all age groups and industries with student debt consistently rank student loan repayment ahead of tuition reimbursement and financial planning as a preferred benefit.

Theses internal discrepancies and challenges can serve as the catalyst for gathering benchmarks and company-specific data to initiate discussions with executive leadership. Data-sharing is essential to filling the gaps between perception and the reality of how current benefit offerings and plans for future benefits are not addressing the needs of today's indebted workforce.

> Among the top provided financial wellness benefits, financial planning and tuition reimbursement are more widely offered than student loan repayment.

III. A modern solution

A thoughtful benefits offering can better address your employees' needs

All human resources leaders know that staying ahead of the curve with employee benefits is a critical factor for companies to remain competitive. However, our research indicates that employers are not as innovative as they may believe. Offering a dynamic student loan benefit program that addresses their workforce's financial wellness challenges can help them increase employee productivity, in addition to talent attraction and retention.

Figure 9: Employees that want their company to offer student loan tools and resources (by age)

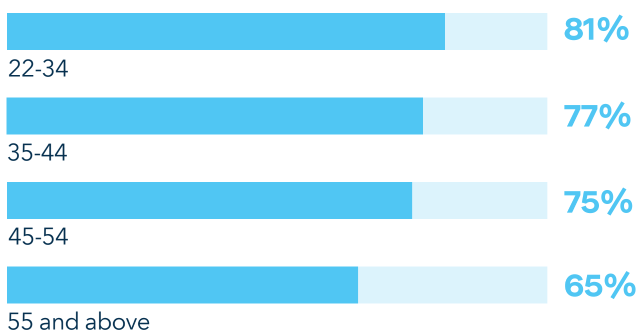


Figure 10: Employees more inclined to accept a job offer if it includes student loan tools (by age)

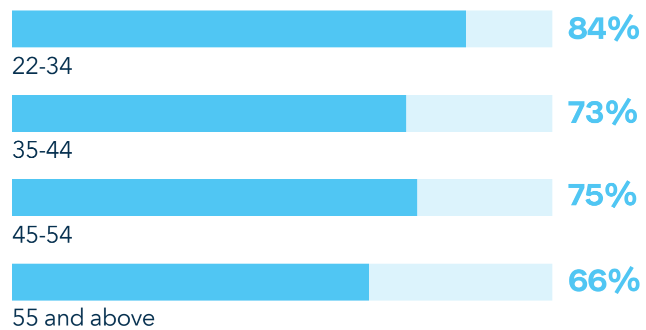


Figure 11: Employees more inclined to stay at their company if they receive student loan repayment (by age)

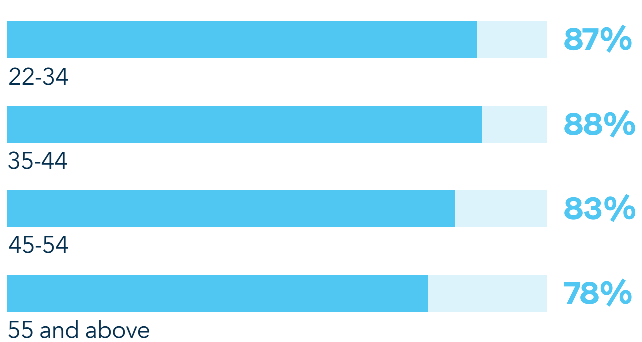
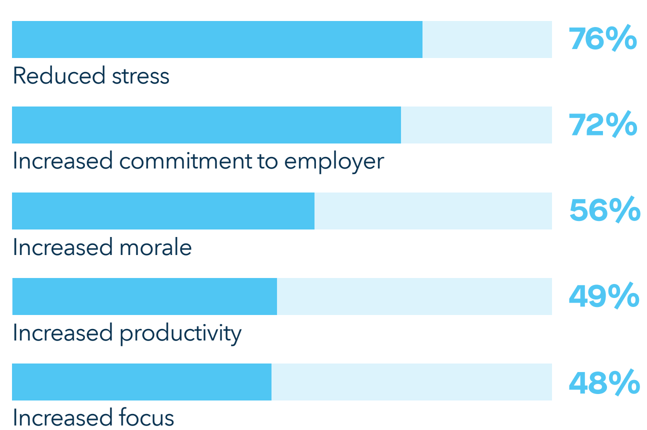


Figure 12: How employees say performance would improve with student loan benefits



PART 1: THE RESEARCH **III A modern solution**

Innovative benefits are key to better teams

Our survey confirms the importance of offering an innovative benefits package. As many as 77% of our employee respondents consider their benefits package when accepting a job offer, and 83% say benefits influence their decision to stay at a company. These statistics are consistent with the attitudes of human resources professionals who firmly agree (87%) that benefits play a key role in attracting and retaining top talent.

However, employers are not as ahead of the curve as they might think. **About 71% of human resources leaders see their company as providing innovative employee benefits, but only 50% of employees think their employer benefits are innovative**. The largest companies (more than 10,000 employees) rate themselves even lower, with only 60% of human resources respondents saying their benefits are innovative. Comparatively, 81% of human resources executives at smaller organizations (1,000-4,999 employees) rated their benefits as innovative. This data around innovation in benefits program design signals a ripe opportunity for employers to begin exploring new and distinctive ways to support their employees, particularly in the area of financial wellness and student debt.

A GROWING DEMAND

Survey data shows not only a strong demand for student loan benefits, but also that prioritizing a student loan repayment benefit can yield a wise investment for employers. **Seventy-eight percent of employees currently carrying student debt or with plans to take out student loans in the next five years said they want their employer to offer student loan resources and tools to help them evaluate their best options**. This finding was also true across all age groups.

ATTRACT TOP TALENT

The study also looked at whether those currently holding student debt would be more inclined to accept a job offer if it included student loan guidance tools and student loan repayment. Seventy-eight percent responded yes. About 80% of workers from smaller companies (1,000-4,999 employees) agreed and 79% of employees from larger organizations (5,000-9,999 employees) also felt strongly about this.

KEEP EMPLOYEES LONGER

Understanding the potential impact of student loan benefits on retention was another key dimension of the study. More than 86% of employees (who have student debt for themselves or others, or are planning to take out loans for a friend or family member in the next five years) said that they would be more inclined to stay at their current company if their employer provided monthly student loan repayment. Additionally, 85% of those said they would commit to staying "at least three years" or more. Another 41% of people said they would stay "until [their] loans are paid off."

INCREASE PRODUCTIVITY

One of the most compelling reasons for employee financial health is also one of the simplest. Financial distractions for employees cost companies money. In our survey, 70% of those who are carrying student debt or planning to take out student loans in the next five years said that a repayment benefit would impact their work performance.

IV. The way forward

Six key steps to integrate student loan benefits into your strategy

There's no question student debt is reshaping how adults perceive money, work, and life. Yet this financial challenge to the workforce also presents a powerful opportunity for both employees and employers to take a new look at an innovative approach to employee financial health, engagement, and retention. While it can be daunting to encourage executives to invest dollars into any new program, moving an organization forward with innovative benefits strategies can be a smart investment to improve productivity, lower attrition, and aid hiring.

These steps outline a data-led approach to employee financial health that will better position human resources leaders to guide internal conversations about how to build a high-impact student loan benefit program.

1. Research and collect data

Use this report and other research on student loan benefits to identify benchmarks for your organization.

2. Assess your organization

Take a systematic approach to understanding your employees' needs related to student debt. Conduct an organizational assessment to understand your employees' student debt situation. While internal surveys are an option, they may not accurately capture the extent of your team's financial situation. Using a third party to compile qualitative along with quantitative survey data may help provide a clearer picture of your employees' student debt and financial wellness.

3. Share data with executives

Share your industry and company-specific employee data with your executive team. The data paired with specific recommendations to address your employees' student debt situation will be key to getting executive buy-in to launch an effective student loan benefit program.

PART 1: THE RESEARCH **IV The way forward**

4. Identify necessary resources

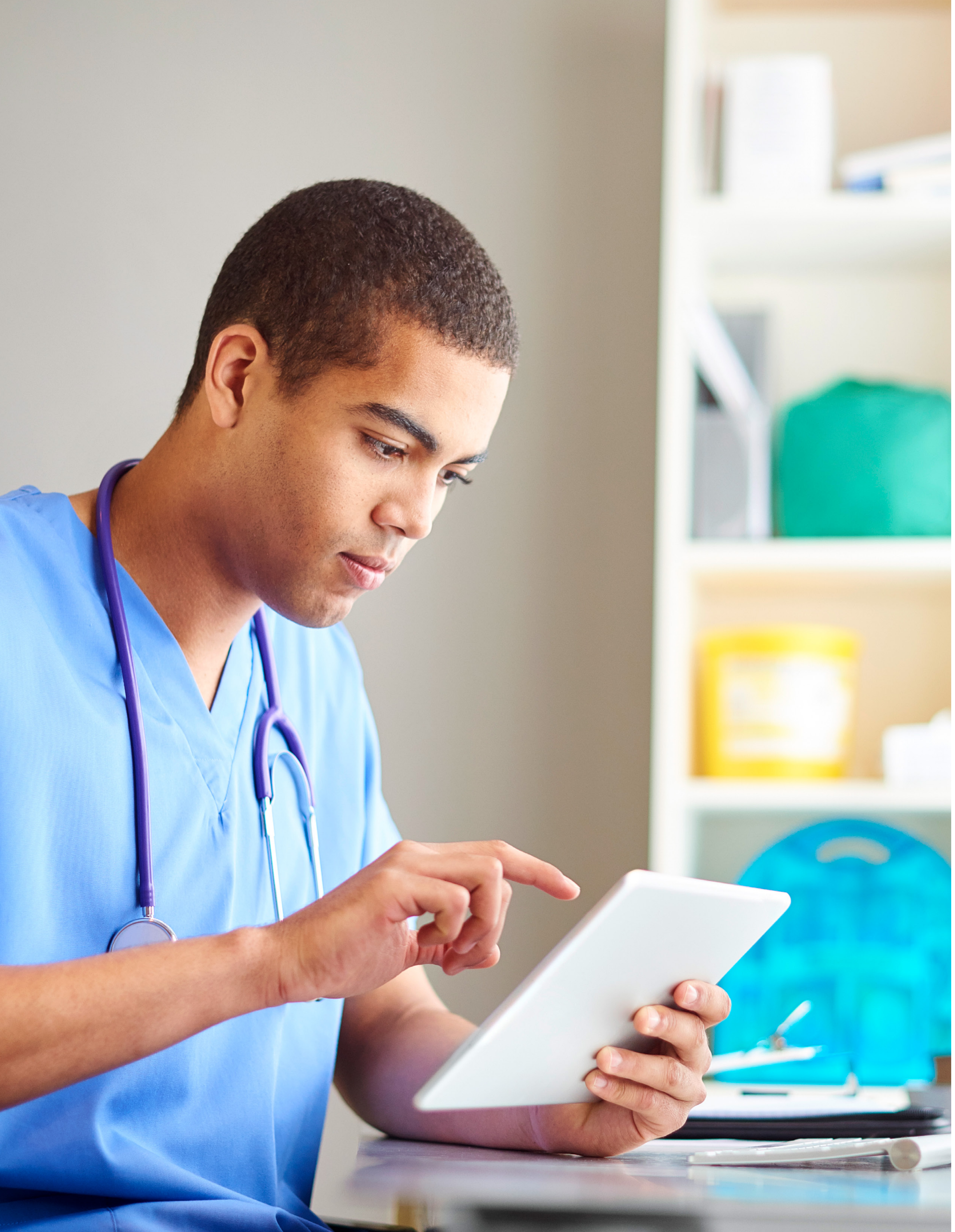
Now that you have a better understanding of your employees' financial wellness, you're in a stronger position to evaluate whether all your benefits are being leveraged by as many employees as they should be. This is an opportunity to reallocate budget spent on less impactful benefits to improve your company's culture and overall recruitment efforts.

5. Choose the right partner

Student debt is a complex and delicate issue that has a significant impact on your employees. Relying on a provider that you trust and that has substantial subject matter expertise is key. Offering student loan benefits to your employees is also a powerful social statement. Make sure the provider you're working with reflects those same social values.

6. Launch a successful program

Now that you are ready to launch, follow these steps to ensure the successful implementation of your student loan benefits program. This includes: i) assigning an internal implementation specialist to oversee the launch process and ongoing administration of the program; ii) leveraging a strong communications plan to best educate the value of the benefit to your employees and drive engagement; and iii) consistently measuring impact and iterating over time.



Highlights by industry

While the first part of this paper outlined trends happening across the U.S. workforce, this second section examines which sectors are ahead of the curve and which have opportunities for growth. The results underscore that industries most affected by student debt are not necessarily those most invested in financial wellness benefits.

Finance, Insurance & Professional Services

Employees in the finance industry are not as affected by student debt as those in other industries, with 43% of respondents currently having student loans taken out to fund their own educations. Of those with student debt, 46% borrowed $50,000 or more in student loans for their educations. More notably, 5% of those with student debt took $150,000 or more to fund their educations. Fittingly, 77% of employees believe their employer should take an active role in helping them improve their financial health, irrespective of whether they currently have student debt or not. About 42% of respondents selected student loan repayment as their top choice for an additional financial wellness benefit if they currently have student debt for themselves or others.

Healthcare & Pharmaceuticals

The healthcare and pharmaceuticals industry is the third-most affected sector by student debt, **with 45% of employees revealing that they currently hold student loans taken out to fund their own educations**. With 55% of those carrying student debt having taken out $50,000 or more, healthcare and pharmaceutical employees strongly believe their employers should take an active role in helping them improve their financial well-being. About 75% of employees said employers should help out, irrespective of whether they currently have student debt. **As many as 60% of human resources respondents said they are planning on enhancing student loan benefits in the next three years**. This will be a key source of support for the 60% of employees who selected student loan repayment as their top benefit choice to improve their financial health.

Automotive & Manufacturing

About 35% of automotive employees surveyed currently have student debt from their own educations. **This finding made the automotive and manufacturing industry the least impacted by student debt**. Of those with student debt, 49% borrowed $50,000 or more in student loans and 9% borrowed $150,000 or more to fund their educations. Nearly 52% of employees with student debt selected student loan repayment as their top choice for an additional financial wellness benefit. Of the employers surveyed, **54% of human resources respondents are planning to enhance their student loan benefit offering in the next three years**.

PART 2: ZOOMING IN

Retail

Retail is the second-most affected industry by student debt, with 49% of respondents currently having student loans. Retail had one of the highest discrepancies in providing financial well-being programs. The vast majority (95%) of human resources respondents believe they should take an active role in helping improve their employees' financial well-being but **only 65% actually do provide financial wellness benefits**. Those perception gaps persisted, with 37% of employees thinking their employer is ahead of the curve when it comes to employee benefits, versus 70% of human resources respondents. About 46% of employee respondents with student debt took out more than $50,000 to fund their educations. As a result, 60% of employees with student debt selected student loan repayment as their top choice for an additional financial wellness benefit.

Technology

The tech industry is the number one industry affected by student debt, with 53% of respondents currently having student loans taken out to fund their own educations. An outstanding 65% of employees carrying student debt took out $50,000 or more in student loans. As a result, more than 77% of employees believe that their employer should take an active role in helping them improve their financial well-being, irrespective of whether they currently have student debt or not (this statistic tied with retail and finance). **Tech is one of the few industries staying ahead of the curve, with 85% of human resources respondents planning to enhance their student loan benefit offering in the next three years**.

Methodology

The focus of this research was to study the impact of student debt across generations of today's workforce. CommonBond's study (administered by Qualtrics) surveyed 1,522 employees aged 22 and above from February-March 2018 across five of the largest U.S. industries to assess the state of student debt on modern workers.

Five Industries

Finance, Insurance & Professional Services	**20%**
Healthcare & Pharmaceuticals	**24%**
Automotive & Manufacturing	**16%**
Retail	**20%**
Technology	**20%**

Employers

NUMBER OF PARTICIPANTS

525

500-999 employees	**23%**
1,000-4,999 employees	**37%**
5,000-9,999 employees	**17%**
10,000 or more employees	**23%**

SENIORITY

Entry Level-Analyst	**13%**
Senior Analyst-Manager	**32%**
Senior Manager-Director	**32%**
Senior Director-Vice President	**12%**
Senior Vice President-C-level Executive	**11%**

Employees

NUMBER OF PARTICIPANTS

1522

AGE GROUPS

22-34	**36%**
35-44	**29%**
45-54	**20%**
55 and above	**15%**

GEOGRAPHY

South	**33%**
West	**16%**
Midwest	**27%**
Northeast	**23%**

500-999 employees	15%
1,000-4,999 employees	29%
5,000-9,999 employees	18%
10,000 or more employees	39%

EDUCATION

Associate	**4%**
Bachelor	**68%**
Master	**21%**
Law (JD or LLM)	**1%**
Ph.D.	**2%**
Other advanced degree	**4%**

ETHNIC BACKGROUND

White or Caucasian	**75%**
Asian or Asian American	**9%**
Black or African American	**8%**
Hispanic or Latino	**6%**
Native American or American Indian or Pacific Islander	**1%**
Other	**1%**

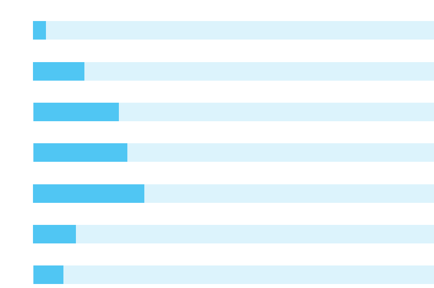
LIVING LOCATION

Urban	**27%**
Suburban	**60%**
Rural	**13%**

GENDER

Female	**60%**
Male	**40%**

HOUSEHOLD INCOME



Less than $25,000	**3%**
$25,000-$49,999	**12%**
$50,000-$74,999	**20%**
$75,000-$99,999	**22%**
$100,000-$149,999	**26%**
$150,000-$199,999	**10%**
$200,000 or more	**7%**

THE RESEARCH EXAMINED THE FOLLOWING SCENARIOS:

1. Currently carry student debt that funded their own educations.
2. Previously carried student loans and have since paid off the debt.
3. Currently carry student loans they took out on behalf of friends and/or family members for their educations.
4. Plan to take out student debt in their name to fund someone else's education (friends and/or family members) in the next five years.
5. Have never had student debt.

About CommonBond

CommonBond is a financial technology company on a mission to give students and graduates more affordable, transparent, and simple ways to pay for higher education. The company offers refinance loans to college graduates, new loans to current students, and a suite of student loan repayment benefits to employees through its CommonBond for Business™ program. By designing a better student loan experience that combines advanced technology with competitive rates and award-winning customer service, CommonBond has funded over $2 billion in loans for its tens of thousands of members. CommonBond is also the first and only finance company with a "one-for-one" social mission: for every loan it funds, CommonBond also funds the education of a child in need, through its partnership with Pencils of Promise.

1 Federal Reserve Bank of New York, "Quarterly Report on Household Debt and Credit 2017: Q3 (released November 2017)", 2017, newyorkfed.org, available at https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/HHDC_2017Q3.pdf

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3 Student Loan Hero, "A Look at the Shocking Student Loan Debt Statistics for 2018", 2018, studentloanhero.com, available at https://studentloanhero.com/student-loan-debt-statistics/

4 U.S. Department of Education/Federal Student Aid, "Federal Student Loan Portfolio: Federal Student Aid Portfolio by Loan Type", 2017, available at https://studentaid.ed.gov/sa/about/data-center/student/portfolio,https://studentaid.ed.gov/sa/sites/default/files/fsawg/datacenter/library/PortfoliobyLoanType.xls

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