# BUSINESS

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# 401(k) plans evolve to help young workers pay off student loans and save for retirement

**401(k) ADVISER**
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Last month, the IRS opened the door to “the next big thing” in 401(k) plans when it approved Abbott Laboratories’ request to match employees' student loan payments with a contribution to their 401(k) account. Many believe this IRS approval foreshadows the biggest enhancement to the 401(k) plan since the addition of Roth 401(k) accounts in 2006.

From the perspective of the employer, offering an incentive for employees to pay down student debt with a contribution to their 401(k) account is a cost-neutral way to promote financial wellness. Abbott undoubtedly sees this student loan benefit program as a tool to attract and retain young talented employees.

For the employee, it’s an employee benefit program that encourages them to responsibly tackle student loan debt by depositing money in their retirement account every time they make a payment.
Student loan debt is a significant problem for many workers entering the workforce. According to a recent survey by the Employee Benefit Research Institute, from 1992 to 2016, the average student loan balance increased from $11,571 to $34,293.

Student loan debt has a big impact on younger workers’ abilities to save for retirement. The EBRI survey shows that while employees with student loans are more likely to have access to a 401(k) plan, their plan balances are on average less than half those without student loan debt.

A 2017 OneAmerica survey, which included more than 12,000 OneAmerica retirement plan participants, found nearly four out of every 10 respondents carry some student loan debt, and 85 percent of those indicate it affects their ability to save for retirement.

The IRS approval allows Abbott Laboratories to contribute pre-tax dollars to an employee’s 401(k) account when that employee makes an after-tax payment on his or her student loan. These employer 401(k) contributions are available only to employees who also are eligible to participate in the company’s 401(k) plan and are subject to the same vesting schedule as ordinary 401(k) plan matching contributions.

Abbott Laboratories' headquarters is 15 miles south of the Wisconsin state line in northern Illinois. The company introduced the plan this summer.

"Abbott competes for the best and brightest minds who have earned degrees ranging from science and engineering to sales and business development," the company said in a statement announcing the plan.

Abbott hired more than 1,000 people under the age of 35 last year in the U.S., "the vast majority of whom had college degrees. In fact, more than a third of those 31-35 had a master's degree and another third had a doctorate degree," according to the statement.

### Congress Needs to Act

To be clear, this IRS approval, known as a private letter ruling, can be relied upon only by Abbott. Such a program may not be appropriate or even feasible for all employers. Given Congress has long recognized the need to encourage American workers to both deal with rising student loan debt and save for retirement, it is hoped this ruling will serve as a catalyst for Congress to enact legislation that will encourage the broad adoption of student loan repayment incentive programs.

In the meantime, it’s not too early to begin asking your employer if it is aware that such a program exists and whether it has considered following in Abbott’s footsteps to assist its growing millennial population.
In the world of employee benefits, there is some truth to the old saying, “the squeaky wheel gets the grease.”

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