

## Employees have invested in their education.

Employers can invest in their future.



Education can come with a heavy load of debt—in some cases enough to last a lifetime.<sup>1</sup> The constant financial worry can distract employees, adversely affecting their productivity. Now, thanks to an expanded IRS ruling that allows employers to use existing employee education funds to help pay down student debt, companies can help ease that burden—so employees can look forward to a brighter financial future. The UBS Financial Wellness program can make it easy by providing access to comprehensive student loan debt solutions that can be integrated easily and quickly into current benefits packages.

## What's new about helping employees pay for education-related expenses?

Previously, employers could make tax-free contributions toward employees' tuition, fees and books. But the 2020 Consolidated Appropriations Act expanded the definition of eligible education expenses to include existing student debt.

The ruling allows employers to offer each qualified employee up to \$5,250 of tax-free contributions annually to directly pay down the employee's student loan debt. This repayment option is currently only available through December 31, 2025, with the potential to be renewed in the future.

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**86%** of employees with student loan debt are willing to commit at least five years to employers offering repayment solutions<sup>2</sup>

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## How employers can benefit

Helping employees achieve financial well-being is proven to generate loyalty and increase productivity. In addition, it can help attract and retain key talent. And that's particularly true when it comes to student loan repayment solutions.

Two-thirds of student debt is held by women and people of color,<sup>3</sup> so offering student loan repayment solutions can boost company diversity, equity and inclusion initiatives.

Lastly, providing this benefit could mean tax savings of up to 10%, depending on the state where the company is located.<sup>4</sup>

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**50%** of applicants are likely to be attracted to an employer offering student loan repayment solutions<sup>5</sup>

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## Why employees need help

Student loan debt is one of the primary financial challenges facing today's American workers. Consider these facts:

- Nearly 70% of new workers carry some sort of student debt,<sup>6</sup> totaling close to \$1.6 trillion across the United States<sup>7</sup>
- 84% of employees—across all ages—say it's the number one reason they don't participate in workplace retirement savings programs<sup>8</sup>
- Graduates with excessive student debt are about twice as likely to delay getting married, having children and buying a home as students who graduate with no debt<sup>9</sup>



Employees need—and are seeking—help. Now you can make a difference, both to them and to your company.

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**70%** of workers believe that companies have a responsibility to help them achieve high levels of financial wellness<sup>10</sup>

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**64%** of US companies already have a 127 program<sup>11</sup>

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### Here's how it works

If you already have a 127 program, you will need to amend it to take advantage of the expanded ruling. Companies without a 127 program will need to create one. What you need to know:

- Contributions must flow directly to the employee's student debt through payroll deductions
- The program can be used for debt incurred for education at the undergraduate level and beyond and isn't required to be related to the employee's job
- Contributions do not raise the employee's taxable income and are tax-exempt for the employer\*
- All employees may be eligible to participate in the program, except certain owners. Employers may limit eligibility in a variety of ways, such as employees with a certain title or employees in a certain location
- Eligibility restrictions must not discriminate in favor of highly compensated employees

With student debt no longer such a burden, employees can finally focus on their careers and pursue other long-term goals. Meanwhile, employers can feel good knowing they've done their part to help employees along the path to financial wellness. That, combined with increased productivity and loyalty garnered from more financially stable employees, creates a win-win.

### Together, we can help

As part of our ever-expanding financial wellness program, UBS can provide access to comprehensive student loan debt repayment solutions that can be integrated easily and quickly into current benefits packages.

To learn more and get started, contact  
[UBSWorkplaceSolutions@ubs.com](mailto:UBSWorkplaceSolutions@ubs.com)

<sup>1</sup> "Older people are giving up hope of paying off their student loans before they die," Insider, May 9, 2021.

<sup>2</sup> "American Student Assistance Young Workers and Student Debt Survey Report Methodology," American Student Assistance® February, 2017.

<sup>3</sup> "Deeper in Debt, Women & Student Loans," AAUW, May 2017, updated 2021.

<sup>4</sup> For employers, as much as 10% may be saved in Federal Insurance Contributions Act (FICA)/Federal Unemployment Tax Act (FUTA)/State Unemployment Tax Act (SUTA), depending on the tax rates of the state where they are located. "[Contributions Now Tax-Free, Student Loan Debt Repayment Programs Gain Traction](#)," by Heather Garbers, HR Daily Advisor, Jun 2, 2021.

<sup>5</sup> [SHRM](#)

<sup>6</sup> "A Look at the Shocking Student Loan Debt Statistics for 2021," Studentloanhero.com, Jan 27, 2021.

<sup>7</sup> "Quarterly Report on Household Debt and Credit," Federal Reserve Bank of New York, Q2, 2021 (released August 2021).

<sup>8</sup> TIAA and MIT Age Lab.

<sup>9</sup> "[Student Loan Debt Causes Delays in Achieving Major Financial Goals](#)," Savingforcollege.com, June 28, 2019.

<sup>10</sup> "A benefit whose time has come," UBS Workplace Voice, 2020.

<sup>11</sup> "US Employee Benefits Report," SHRM.org, 2019.

\* While these contributions will not impact an employee's gross taxable income at the federal level, employees should consult with a tax professional to determine whether states offer a similar benefit.

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