How HR Leaders Can Implement 401(k) Student Loan Matching at Zero Cost, Zero Risk, and Zero Work

Unlocking 401(k) Student Loan Matching under SECURE 2.0

Loan Certify

A New Era with the SECURE 2.0 Act

Employee student debt has reached staggering levels – collectively about $1.77 trillion in the U.S. – and it's directly impacting the workforce. Many employees struggling with loan repayments forego contributing to retirement plans, meaning they miss out on employer matches and compound growth. Recognizing this issue, the SECURE 2.0 Act of 2022 introduced a game-changing provision: for the first time, employers are permitted to make 401(k) matching contributions based on employees' student loan payments.

In effect, if an employee uses their paycheck to pay student loans instead of contributing to a 401(k), the employer can still deposit the equivalent match into the employee's 401(k) account as if the loan payment were a retirement contribution. This provision (Section 110 of SECURE 2.0) took effect for plan years beginning in 2024, opening a new avenue to support employees without increasing payroll costs.

What's Changed for Employers and Employees?

In the past, employees had to choose between paying down student debt or contributing to their 401(k) – a painful trade-off. Now, thanks to SECURE 2.0, employees can do both: every dollar they pay toward student loans can "count" as a 401(k) contribution for the purposes of the employer match. For employers, this means a powerful new benefit option is on the table. You can help workers with student loans build retirement savings without requiring them to actually divert pay into the 401(k).

Essentially, it turns an employee's student loan payment into a trigger for your regular 401(k) match, just as if they had contributed that amount to the plan. This new benefit doesn't change the match formula or increase the match cap – it simply extends the match to cover student loan payments under the same terms (eligibility, matching percentage, vesting schedule, etc.) as your normal 401(k) match.

Why It Matters

By leveraging this provision, employers can address a critical employee pain point (student debt) and help improve financial wellness. Imagine a high-performing young professional, Alex, with $40,000 in student loans. Alex has been skipping the 401(k) to focus on debt, thereby losing out on the company's 5% match.

With the SECURE 2.0 change, Alex's $300 monthly student loan payment can now earn the company's 5% 401(k) contribution – free money toward retirement that Alex would otherwise miss. Multiply Alex's story by the dozens or hundreds of employees in your firm with student debt, and the impact is significant.

In short, SECURE 2.0's student loan matching provision is a win-win: employees no longer have to sacrifice retirement savings to handle their debt, and employers get a new tool to boost retirement plan participation and demonstrate support for employees' financial wellbeing.

In the sections that follow, we'll explore the business case for implementing a 401(k) student loan match, the challenges involved (and why doing it in-house can be tricky), and how to implement it at zero cost and zero risk using the right solution. **We'll also explain why acting now can give your organization a competitive edge in talent retention and recruitment.**

Financial & Retention Benefits of 401(k) Student Loan Matching

Offering a 401(k) student loan repayment match isn't just a feel-good gesture – it delivers concrete benefits for both employees and employers. Let's look at the data and outcomes driving this new benefit's appeal:

Relieving Employees' Financial Stress

Employee financial stress is at an all-time high. Research shows 57% of employees cite money as their #1 source of stress, affecting their productivity at work. Student loans are a big part of this stress: in one survey, 91% of employees with student debt said it causes them anxiety.

By helping employees tackle student debt and save for retirement simultaneously, a student loan 401(k) match directly addresses this stressor. It allows employees to make progress on loans without "mortgaging" their future retirement security.

In fact, 81% of people with student loans have had to postpone key life and financial milestones (like buying a home or saving for retirement) due to debt. A 401(k) match on loan payments helps break that cycle, empowering employees to build long-term savings even while repaying loans.

The result is often improved morale and financial wellness – employees feel their employer is helping them get "double duty" out of each loan payment.

Boosting Retirement Readiness

When employees forego 401(k) contributions to focus on debt, they lose matching dollars and the growth on those investments. Over time this can severely impact retirement readiness. Nearly 60% of employees with student debt delay saving for retirement, leaving them financially vulnerable.

By implementing the loan match, employers can pull those employees back into the retirement plan. Every loan payment that earns a match is money in a 401(k) that wouldn't be there otherwise. This improves plan participation rates and helps more employees build a nest egg.

In essence, the match on student loans unlocks "free" retirement money for employees who felt they couldn't afford to contribute before. This can particularly help younger employees (Millennials and Gen Z) who have high debt loads – allowing them to start saving for the future earlier than they otherwise would.

One early adopter, Abbott Laboratories, saw over 1,000 employees enroll in a similar program in just the first year, ranging from ages 20 to 60 – proving demand spans generations.

Stronger Recruitment & Talent Retention

A student loan match can be a game-changer in the war for talent. Employers consistently report that offering loan assistance yields dividends in attracting and keeping employees.

According to the International Foundation of Employee Benefit Plans (IFEBP), the top reasons employers consider student loan repayment programs are to attract future talent (92% of employers) and retain current employees (80%), as well as to increase loyalty (58%) and stay competitive (55%).

In today's market, offering a 401(k) student loan match sets you apart: more than three-quarters (77%) of employees with student debt say they'd be more likely to accept a job offer from a company that helps pay down their loans. And 86% of younger workers (Millennials/Gen Z) say they would commit to an employer for at least five years if it helped with their student loans. This benefit directly addresses a key concern of the emerging workforce.

Increasing Engagement and Reducing Turnover

Retirement benefits have long been known to influence retention. Companies that offer robust 401(k) matches generally see higher retention of talent. Extending the match to student loan payments amplifies this effect.

Employees who might otherwise get no benefit from your 401(k) match (because they aren't contributing due to loans) can now receive the match – giving them a tangible reason to stay. Moreover, if your match has a vesting period (commonly 3–5 years), employees have an added incentive to stay at least until they are fully vested in those matching contributions. This can organically reduce turnover.

In fact, data shows employees enrolled in retirement plans are 32% less likely to quit in a given month than those not in a plan. By drawing more debt-burdened employees into the plan via the loan match, you broaden the base of employees with a "golden handcuff" to stay. Simply put, a student loan 401(k) match turns a segment of your workforce that might have felt excluded from retirement benefits into engaged participants who have skin in the game to remain with your company.

The cost of replacing an employee is substantial – roughly 6 to 9 months' salary in recruiting and onboarding expenses, according to SHRM– far outweighing the marginal cost of extending your 401(k) match.

Enhancing Employee Satisfaction and Loyalty

When employers acknowledge and act on a major employee pain point, it breeds goodwill. Over 50% of employees now believe their employer should assist with student loan debt, reflecting a growing expectation. Those companies that do offer help are seeing positive impacts on loyalty. As Betterment's director noted, "It's clear that student loan benefits have become a critical part of employers' strategies to attract and retain talent".

Early adopters of student loan matching are often viewed as forward-thinking and compassionate. This can improve your employer brand – employees are likely to share their appreciation, and it can be a PR boost in recruitment marketing. All of this translates to a more committed workforce. Employees who feel supported in both day-to-day financial struggles and long-term goals are more engaged at work.

They can focus better on their jobs rather than worrying about finances. In summary, helping employees chip away at student debt while securing their retirement future is a powerful way to increase satisfaction and loyalty across the organization.

In real terms, what’s the impact?

Consider an employee with $30,000 in loans at a 5% interest rate, paying ~$320 per month over 10 years.

Without a student loan match, they might put $0 in their 401(k) for a decade.

With a loan match program, that monthly $320 payment would count for the 401(k) match – if your plan matches, say, 50% of contributions up to 6% of pay, and the employee earns $60,000/year, their $3,840 in annual loan payments could yield about $1,920 per year in employer contributions to their 401(k).

Over 10 years, that’s nearly $20,000 (plus investment growth) in a retirement account that wouldn’t have existed otherwise. From the employee’s perspective, it’s effectively “free” retirement money for paying the loans they have to pay anyway.

From the employer’s perspective, it’s the same budgeted match dollars, now reaching employees who previously missed out – with the payoff of better retention and goodwill.

Compliance & Administrative Challenge (Why In-House Is Hard)

While the concept of matching student loan payments is simple, the execution can be complex. Many employers hesitate to implement this benefit on their own due to compliance requirements and logistical hurdles. Let's break down why handling student loan matching in-house can be challenging – and even risky – without the right support:

Verifying Qualified Loans and Payments

The IRS rules (as clarified in Notice 2024-63) require that only Qualified Student Loan Payments (QSLPs) can earn a 401(k) match. A "qualified" loan payment means it's on a loan for higher-education expenses for the employee (or their spouse/dependent), and the employee is legally obligated (not just a co-signer). Additionally, the payment amount and date must be documented. If implementing in-house, the employer must gather proof that each employee's loan meets the criteria and that the employee actually made the payment.

Typically, employees would need to annually certify details of their loan (that it was for qualified education costs and they are the borrower) and provide verification of the payments made (e.g. receipts or lender statements showing amounts and dates). Managing this is non-trivial: HR would have to collect and review sensitive documents for each participating employee to confirm eligibility. There's a data verification burden that most HR teams aren't equipped to handle at scale. How do you know if an employee's $200 "loan payment" truly went to a student loan and not elsewhere? Without a robust process, there's risk of error or even fraud.

Ongoing Tracking of Payments

Unlike a salary deferral, which happens through payroll and is easy to track, student loan payments occur between the employee and their lender, outside the employer's systems. As one financial expert noted, "Employers do not track student loan repayments, [so] this adds a layer of complexity and administrative support that will be needed to offer the benefit."

If an employer tries to manage it internally, they might have to ask employees to regularly submit proof of each loan payment or at least an annual summary of payments. Some possible methods include requiring employees to register their loans and periodically report payments, or even coordinating with lenders directly – all of which are cumbersome. Imagine HR having to remind employees to turn in loan receipts each month or quarter, then tallying those amounts to calculate the matching contributions. This manual handling is time-consuming and prone to mistakes (e.g., missing a payment report could mean an employee doesn't get a match they earned, causing dissatisfaction and potential liability).

Employee Self-Certification – Flexibility with Risk

The IRS guidance has tried to make it easier by allowing employee self-certification of loan payments. This means an employer can choose to rely on an employee's word (certification) that they made qualifying payments, rather than collecting proof each time. While this flexibility reduces administrative burden on the surface, it introduces risk: if an employee mis-certifies (intentionally or accidentally), the plan could be granting improper matching contributions.

Over-relying on self-certification without any verification mechanism might expose the plan to compliance issues if audited. In short, HR is put in the uncomfortable position of either implementing a labor-intensive verification process or accepting self-certifications that carry a trust-but-risk tradeoff. Many companies are uneasy about "just trusting" without any checks – especially for something as important as retirement plan compliance.

Plan Administration Complexities

Even once loans and payments are verified, the employer must integrate this information into their 401(k) plan administration. How will the plan recordkeeper know to credit a matching contribution for an employee's loan payment? Likely, HR will need to transmit some form of "student loan contribution report" to the 401(k) provider periodically (monthly, quarterly, or at least annually) indicating which employees made qualifying payments and how much, so that equivalent match contributions can be allocated.

The SECURE 2.0 provision does allow flexibility in timing – for instance, employers can make these matching contributions once a year, as long as the match for the year is true to the formula. But this still means HR must accumulate data over the year and do a special submission of contributions. That's a new workflow for most teams. Additionally, plan documents must be amended to enable this feature, and nondiscrimination testing needs to account for these "deemed deferrals."

The law provides a bit of relief by treating loan-based matches as regular matches for testing purposes, but employers still must ensure the matching contributions don't inadvertently skew tests if, say, mostly highly compensated employees use the program. Setting up "reasonable procedures" for the loan match (per IRS guidance) is another task – essentially defining how and when employees certify, how often matches will be deposited, etc..

Administrative Burden on HR and Benefits Teams

All told, implementing student loan matching internally can become an administrative project requiring coordination between HR, payroll, benefits, and the 401(k) plan administrator.

Each participating employee could generate multiple touchpoints: initial loan eligibility vetting, annual re-certification, tracking of payments, updating of match accruals, and handling of any changes (what if an employee pays off their loan mid-year or goes into deferment? What if they forget to certify one year?).

As an employer, you effectively become a middleman between the employee and their lender for verification purposes, and between the employee and the retirement plan for contribution purposes. This is doable with a small pool of employees, but it doesn't scale easily. It's no surprise that, despite the new law, many companies have been hesitant to adopt the student loan match due to these compliance and logistical challenges – notably the difficulty of verifying loan payments and handling the associated data. Without dedicated tools, an HR department could quickly find this benefit more trouble than anticipated.

Risks of Errors and Liability

Mistakes in this process can carry financial and legal risks. If an ineligible payment is mistakenly matched (for example, an employee certified a payment but it turns out that loan wasn't qualified or the payment exceeded limits), the plan could face correction procedures or even jeopardize its tax-qualified status if widespread.

Conversely, if an employee who did make qualifying payments doesn't get the match due to an employer error in tracking, you may face employee relations issues or claims of denied benefits.

There's also data security to consider: handling documents like loan statements means dealing with sensitive personal and financial information – something many HR teams would rather not collect and store due to privacy concerns. In summary, doing this "by hand" in-house could expose the company to compliance risk (IRS/DOL issues), operational risk (errors/omissions), and even security risk.

The bottom line is that while SECURE 2.0 makes student loan matching possible, it doesn't make it effortless. Employers must carefully set up processes to meet IRS requirements (employee certifications, proper handling of contributions, plan amendments, etc.).

As one benefits attorney put it: implementing the student loan match "requires professional guidance and documentation and should not be entered into without a commensurate benefit" – highlighting that you need to be prepared to handle the administrative aspects for it to work correctly.

For many HR departments, especially those already stretched thin, these challenges can be a barrier. The good news is that solutions exist to eliminate the extra work and mitigate the risks – allowing you to offer this benefit in a compliant, efficient way. **One such solution is Loan Certify.**

Why Employers Should Act Now: Gaining a Competitive Advantage

With the SECURE 2.0 student loan match now available, there is a unique window of opportunity for employers to distinguish themselves. Here's why acting early to implement this benefit can put your organization ahead of the curve:

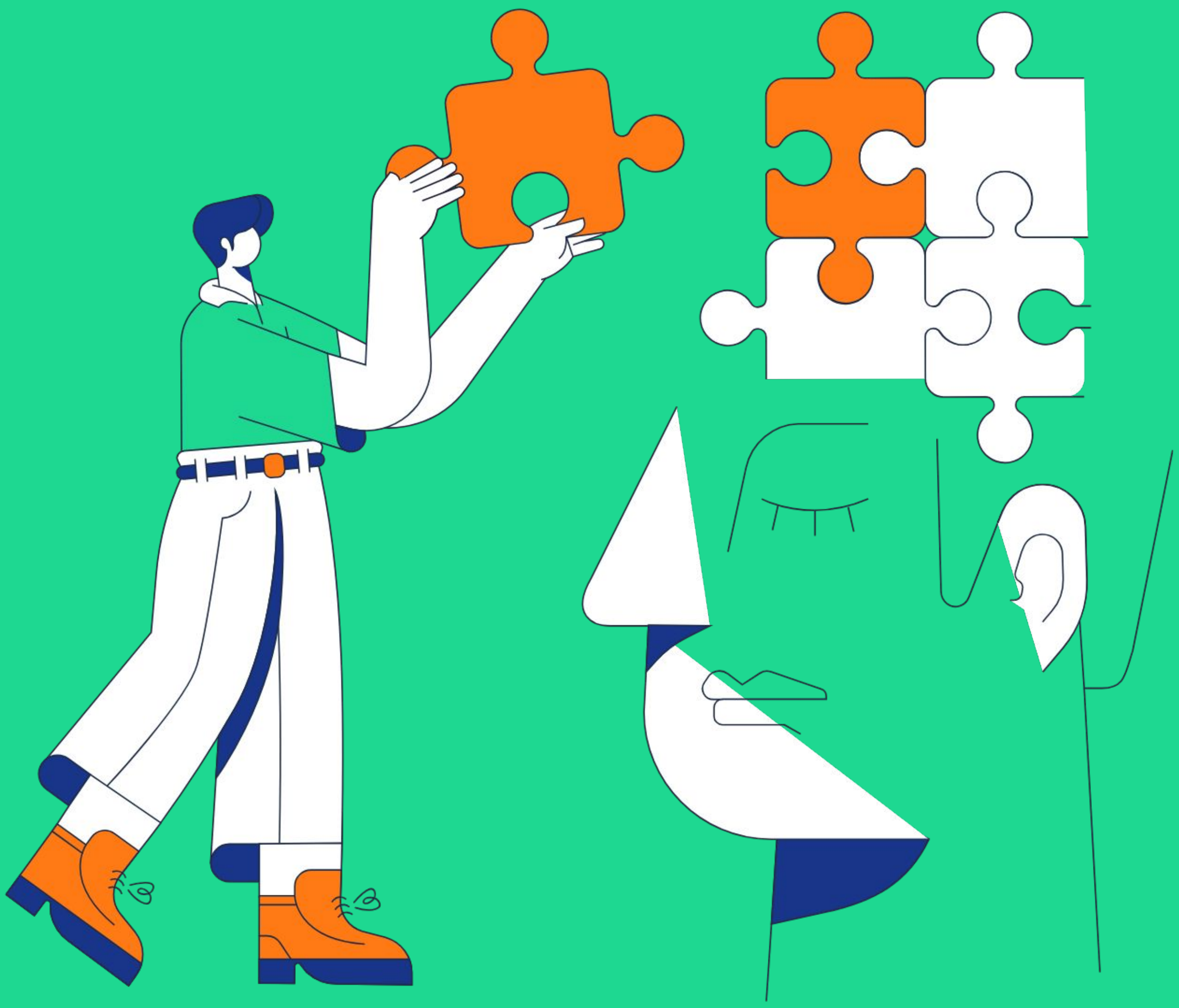
High Employee Demand, Low Current Supply

We've seen that employees are extremely eager for help with student loans – about 75% of workers want their employer's assistance in reducing student debt or securing better rates, and more than half believe employers have a responsibility to step up.

Despite this demand, relatively few employers currently offer any kind of student loan benefit. According to a late-2024 survey, only 5% of employers are offering the 401(k) student loan matching benefit authorized by SECURE 2.0 so far.

Even broadly, only around 9–14% of organizations offer any student loan repayment assistance as of 2024. This gap between what employees desire and what employers provide is an opportunity for forward-thinking companies. By implementing a student loan match program now, you immediately stand out to the vast majority of employees who have this need unmet elsewhere.

It's a classic case of high demand, low supply – which you can leverage to attract talent.



First-Mover Advantage in Talent Acquisition

In the recruitment arena, being among the first to offer an innovative benefit can dramatically boost your appeal. Early adopters of student loan matching can market it in job postings and recruiting fairs: "We offer a 401(k) match on your student loan payments – a benefit very few employers provide!"

This is a compelling differentiator, especially for early-career professionals and mid-career employees still carrying loans. If a candidate is comparing two job offers and only one company offers student loan matching, that could be the tipping point that sways them. We know 77% of employees with student debt would choose a job offering loan help over one that doesn't.

Right now, with only 1 in 20 companies (or fewer) offering the match, by adopting it you join an elite minority of employers, essentially leapfrogging your competitors. **This advantage will be most pronounced in the next couple of years while the benefit is still novel.**

Retain Your High-Value Employees

Acting now also helps you retain the talent you have, particularly those younger or mid-level employees who may be eyeing the market for better benefits. If your company is among the pioneers in student loan matching, your employees with debt are less likely to look elsewhere – they know this benefit is hard to find at another employer.

In contrast, if you wait until this becomes common, you might lose people in the interim. Consider that 21% of employees said a 401(k) student loan match would entice them to leave their current job for another that offers it.

You don’t want to be on the losing end of that statistic. By implementing the program now, you effectively “lock in” those who have student debt by addressing one of their biggest financial concerns. It signals that you value their long-term well-being, which builds loyalty.

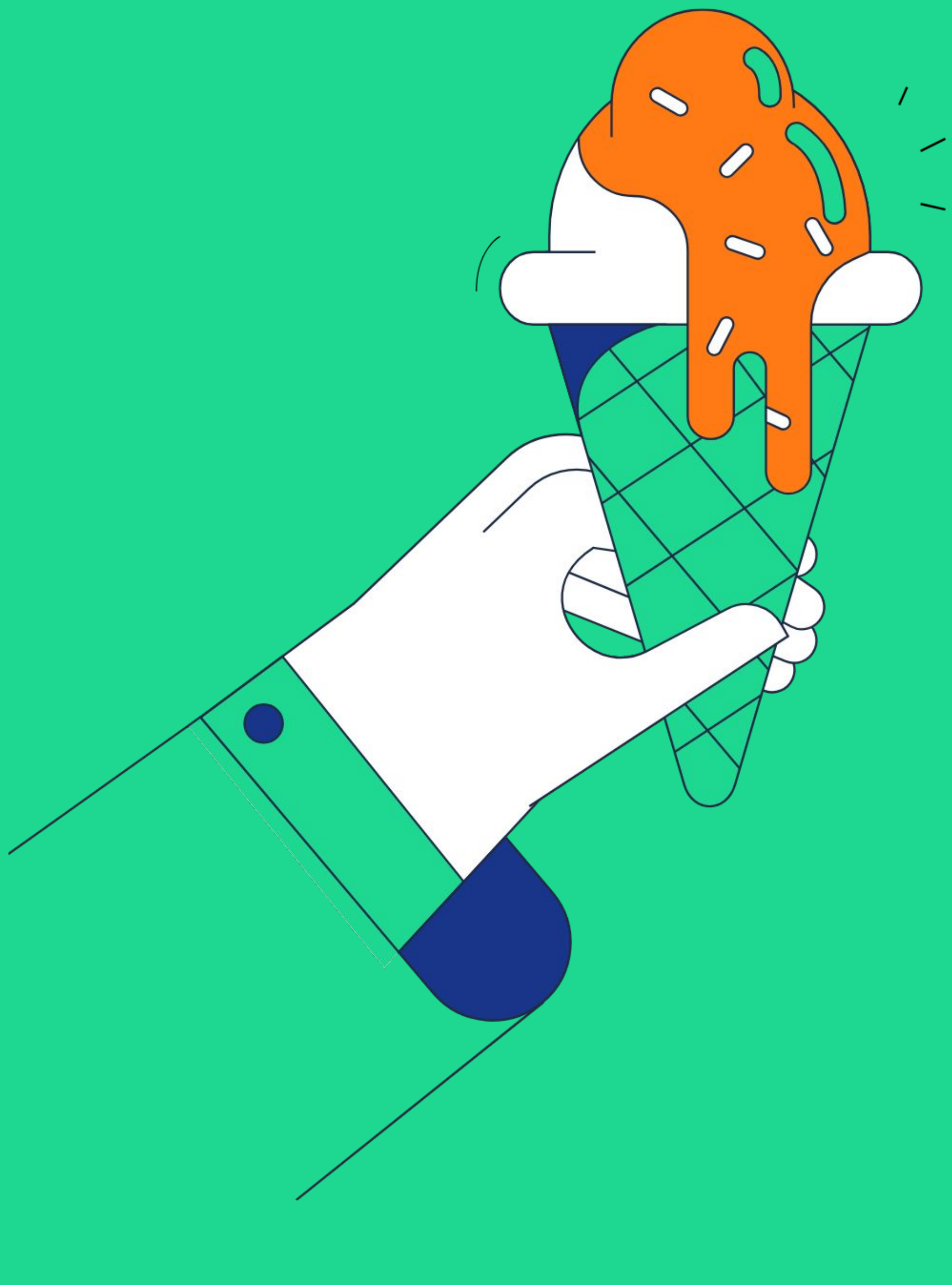
Early adoption sends a message: your company is proactive and cares about innovative benefits, which itself boosts morale and retention across all employees, not just those with loans.

Maximize ROI by Curbing Turnover Costs Early

Every month or quarter that passes without this benefit, there's a chance an employee with student loans decides to leave or a candidate turns down your offer.

Given the high cost of turnover (as noted earlier, potentially 50–100% of an employee's salary to replace them), even preventing a couple of departures by implementing this benefit can financially justify doing it sooner rather than later.

Essentially, you stand to save money by acting now: you'll retain talent that might otherwise leave for a company that figures out this benefit before you do. **And since implementing through a platform like Loan Certify has negligible cost, the ROI in terms of avoided turnover or faster hiring of key roles is very high.**



Regulatory Certainty – Ready to Go

Another reason to move now is that the regulatory framework is largely in place. The IRS has issued interim guidance clarifying how to implement the student loan match properly. There's no need to wait for further rules – plans do not need to wait for additional IRS guidance to start offering this benefit.

That means 2024 (and plan year 2025) is open season to add the feature. Some employers might be slow because they're waiting or watching others, but with a solution in hand, you can proceed confidently and not miss out on a year or two of impact.

Additionally, by starting now, you'll iron out any administrative wrinkles early (with help from your provider), so that when others are just starting later, your program will already be running smoothly and optimized.

Acting now positions your organization as a leader and yields immediate competitive advantages in talent markets.

You have a rare opportunity to offer a benefit that directly addresses a widespread employee need and yet is currently offered by very few employers.

Those who delay risk playing catch-up later, whereas those who move quickly can capitalize on a powerful differentiator. Given that you can implement it at no cost and minimal effort with the right partner, the barrier to action is low.

The sooner you start, the sooner you can advertise and utilize this benefit to hire and keep the best people. **In HR terms, this is low-hanging fruit for boosting your EVP (Employee Value Proposition).**

Turn Student Debt into a Retirement Opportunity – Start Today

The evidence is clear: implementing a 401(k) student loan matching program can elevate your benefits strategy, improve employee financial health, and strengthen your talent pipeline – all without added cost or risk when done correctly.

SECURE 2.0 has opened the door, and with Loan Certify's help, walking through that door is easier than ever. This is a prime moment for HR professionals, business owners, and company leaders to take initiative and lead the charge in this new benefits frontier.

Loan Certify is here to make this implementation seamless. We invite you to schedule a call or demo with our team to walk through how the platform can work for your organization's specific needs. In a brief consultation, we can map out the simple onboarding process, address any plan-specific questions, and set you up for success.

Our experts will ensure your plan amendment, recordkeeper coordination, and employee rollout happen smoothly.If you're ready to move forward, you can also get started right away by submitting the "Get Started" form on our website. Visit loancertify.com/start to begin the process.

Once you fill out the short form, our team will promptly reach out to guide you through next steps, from plan setup to employee communication. **We'll work at your pace – whether you want to pilot with a small group or roll it out company-wide.**