

Become a talent magnet with student loan benefits



Student loan benefits can play an instrumental role in the workplace

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If you're like most HR or Benefits Professionals, you know that benefits are critical in attracting, retaining, and engaging employees. As the war for top talent continues to heat up, employees are increasingly considering benefits and perks as a significant reason to remain at their current company or choose one job option over another.

So, it's no surprise that innovative HR and Benefits professionals are always on the lookout for new benefits that solve the challenges their employees are facing. Recently, one of those challenges has moved to the forefront of this conversation: mounting student debt. Here are some quick facts:

- Student loan debt has risen to \$1.4 trillion in the US and is projected to reach \$2 trillion by 2020.¹
- More than 44 million Americans hold student debt.²
- 7 out of 10 millennials graduate with student debt, and the average debt they have is \$37,000.³

At CommonBond, we've seen firsthand the results that paying off student debt can have on a team member's financial well-being. In 2015, we began offering our team a student loan contribution benefit to attract, retain, and further engage them. The success of our own benefit coupled with our mission to solve challenges in higher education financing prompted us to launch our own suite of student loan benefits called CommonBond For Business.

But can student loan benefits really play an instrumental role in employee hiring and retention? In developing CommonBond For Business, we conducted research with more than 500 HR and Benefits professionals to learn the impact of student loan benefits in the workplace.⁴ Read on to understand the output of our research. Specifically, we'll share:

- The types of student loan benefits you can offer your employees (p. 3)
- Why employers should offer these benefits to their workforces (p. 4)
- Making student loan benefits a reality (p. 6)

The types of student loan benefits you can offer your employees

The primary objective is to enable employers to help their employees manage their mounting student debt.

Student loan benefits have been called “the hottest new employee benefit” by Forbes, Bloomberg, Entrepreneur, and many other publications. But you may be wondering, what exactly are these new benefits?

The term “student loan benefits” is broad, so it’s fitting that it encompasses several different types of benefits. What ties these benefits together is that their primary objective is to enable employers to help their employees manage their mounting student debt, increasing productivity and loyalty.

The earliest form of student loan benefits is Tuition Assistance. A 2015 study completed by the International Federation of Employee Benefit Plans found that 83% of companies now offer some type of tuition reimbursement benefit to their employees.⁵ Companies see it as a way to retain current employees, keep their skills up-to-date, and attract and retain new talent.

Over the past few years, several new student loan benefits have been introduced that include:

- **Student loan evaluation tools:** Evaluation tools enable employees to understand how to better manage their student debt. These tools are typically simple online interfaces that provide a personal recommendation for student debt repayment strategies that could include state and federal government repayment programs as well as refinancing options.
- **Student loan refinancing:** Student loan refinancing allows employees to replace their existing loans with a new loan at a lower interest rate, lower monthly payment, or both.
- **Student loan employer contribution:** Student loan contribution means that employers contribute to paying down their employees’ student debt over a period of time. While just 4% of employers currently offer a student loan contribution benefit, that number is projected to rise to 26% by 2018.⁶

Why employers should offer these benefits to their workforces

80% of Millennials would choose a company because they offered a student loan contribution benefit.⁸

54% of Millennials would rather have a student loan benefit than a 401(k).⁹

As an HR and Benefits professional committed to improving the health and wellness of your workforce, you may be asking yourself if student loan benefits would truly help all of your employees, or if workplace stress caused by student debt is an issue faced by a small minority. Through our research, we learned that student debt is an issue for employees across every type of company in every industry. And it impacts employees of all ages, not just Millennials.

Given that student debt is likely impacting the majority of your team, the next step in determining if student loan benefits are right for your company is to understand the value that they would drive. Throughout our research, HR and Benefits professionals pointed to the ever-growing need to attract, retain, and engage their employees. Here's how the professionals we spoke to have seen student loan benefits impact their employee bases across each of those dimensions:

ATTRACTING TALENT

78% of employees say that a benefits package is crucial to their decision to accept or reject a job offer, so these benefits are a great way to win the war for top talent.⁷ Millennials, in particular, are very passionate and vocal about student loan benefits and the impact these benefits could have on their decision to choose a role. In fact:

- 80% of Millennials would choose a company because they offered a student loan contribution benefit.⁸
- 54% of Millennials would rather have a student loan benefit than a 401(k).⁹

RETAINING TALENT

Because the cost of attracting and hiring top talent can be a significant one,

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it's extremely important to retain talented team members once they've joined your company. For example, it can cost a company:

- between 30 and 50% of an employee's annual salary to replace entry-level employees.¹⁰
- 150% of an employee's annual salary to replace a mid-level employee.¹⁰

A strong benefits package could and should be used as the first line of defense to reduce attrition. And student loan benefits, in particular, are an especially compelling tool for retention, as 81% of employees with student debt would be more willing to stay with their current employer if leaving meant losing student loan repayment.¹¹

ENGAGING TALENT

A recent Willis Towers Watson Global Benefits Attitude Survey indicated that as employee stress increases, so too does disengagement with one's role in the workplace. The study of 22,347 employees revealed that more than 57% of those employees experiencing high stress levels reported they were disengaged with their work compared to only 10% of employees with lower levels of stress.¹²

One of the chief stressors reported by the study is stress brought on by one's personal finances. The average graduate holds \$37,000¹³ in student debt and pays, on average, close to \$400/month in payments, which can contribute significantly to their financial worries.¹⁴ Adding student loan benefits to a company's package helps to decrease this stress and increase employee (and company) performance.

With student loan benefits, and contribution in particular, employees can save thousands of dollars, giving them the opportunity to fund their retirement account, take advantage of the other company-sponsored benefits, decrease their financial stress and increase productivity and engagement.



Making student loan benefits a reality

A student loan benefit of \$1,200/year is minimal compared to the costs of hiring and then replacing that employee.

If you believe student loan benefits have earned a place in your company's benefits package, there are a few questions that will likely come up in conversations with other stakeholders, so we have included information that will help move these conversations forward.

What ROI can my company expect?

With any new benefit, it's important to demonstrate that the return is greater than the cost. To help demonstrate the value, you can quantify the cost of recruiting and replacing employees and then compare it to the cost of the benefit.

- **Cost of recruiting employees:** SHRM's 2016 Human Capital Benchmarking Report revealed that the average cost of recruiting one employee is \$4,129.
- **Cost of replacing employees:** As previously mentioned, replacement costs can range from 30% to 150% of an employee's annual salary.

If you're spending over \$4,000 to hire someone, and \$60,000¹⁴ to replace them, you want to make sure that you retain them for as long as possible. A student loan benefit of \$100/month, which will allow you to hire faster and retain employees longer, is a minimal cost compared to the costs of hiring and then replacing that employee.

What are the other key factors to consider?

These benefits are relatively new, and there are several key considerations for choosing a partner to help with your decision.

Ease of use: To ensure the platform you choose is easy to use for both you and your employees, it's important to understand the product with a live demonstration. You'll be able to see if the admin and employee portals of the product you are considering are simple and easy to use. Additionally, it's important to get an understanding of the implementation process and what's

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required of you - keep in mind that the bulk of the work should be on the company you partner with, not on you.

Initial and ongoing support: There should be ongoing support for both you and your employees. For your employees, ensure that there's a customer support team readily available for any questions they may have. For you or your benefits team, there should be a designated contact so that you can get any questions you have answered as quickly as possible.

Direct partnership: Lastly, it's important to partner directly with a company for any solution you will offer to your employees. It's important to be aware if they use a third party for one or more of the services they offer, as questions are much more easily answered and issues are resolved more quickly when there is a clear point of contact at one company.

As an innovative HR and Benefits professional, you're focused on providing your team with a suite of employee benefits that is truly valuable to them. Student loan benefits not only provide value to your workforce, but they can set your company apart.

Consider implementing student loan evaluation, refinancing, and contribution as part of your benefits package so your company can become a talent magnet.



For more information on
CommonBond For Business,
visit www.commonbond.co/partners
or email partnerships@commonbond.co.



About CommonBond

CommonBond is changing the face of employer benefits by enabling our partners to provide the solutions their employees really want. Top-tier talent is increasingly looking to their employers to help them get on the path to financial wellness, and it's no secret that the single biggest hurdle on that path for Millennials is mounting student debt.

CommonBond offers the only comprehensive suite of benefits that lets employers help their entire workforce with student debt regardless of lender, income, or credit history. Our tools, Student Loan Evaluation, Student Loan Refinancing, and Employer Contribution, set you apart from the competition, and help your employees - and your company - achieve big goals.

1. <http://www.marketwatch.com/story/every-second-americans-get-buried-under-another-3055-in-student-loan-debt-2015-06-10>
2. <https://studentloanhero.com/student-loan-debt-statistics/>
3. <https://studentloanhero.com/student-loan-debt-statistics/>
4. Interviews were conducted by CommonBond team members via phone, email, and in person meetings over the past 12 months
5. <https://www.ifebp.org/bookstore/educational-assistance-benefits-2015-survey-results/Pages/default.aspx>
6. <https://www.towerswatson.com/en-US/Insights/IC-Types/Survey-Research-Results/2016/03/infographic-employer-provided-voluntary-benefits-grow-in-importance-with-expanded-offerings>
7. <https://benefitrends.metlife.com/us-perspectives/opportunity-is-knocking/>
8. <http://www.reuters.com/article/debt-grads-perks-idUSL1N11S0ZQ20150922>
9. <http://www.prweb.com/releases/2016/04/prweb13320190.htm>
10. <http://www.ereMEDIA.com/tlnt/what-was-leadership-thinking-the-shockingly-high-cost-of-employee-turnover>
11. <http://www.businesswire.com/news/home/20160201005086/en/Survey-Finds-Student-Loan-Reimbursement-Hot-Benefit>
12. <https://www.towerswatson.com/en/Press/2014/09/Workplace-stress-leads-to-less-productive-employees>
13. <https://studentloanhero.com/student-loan-debt-statistics/>
14. Assumes student loan amount of \$37,000 at a 5% rate and 10 year term
15. Assumes \$60,000 salary and 50% of annual salary replacement cost

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