NEWS FROM THE EMPLOYEE BENEFIT RESEARCH INSTITUTE

New Research Study Finds Student Loan Debt Payments Having a Negative Impact on Average 401(k) Employee Contribution Rates and Account Balances

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(Washington, D.C.) – A new research report published today by the Employee Benefit Research Institute (EBRI) and J.P. Morgan Asset Management found that making student loan debt payments was found to have negative impact on both the average 401(k) employee contribution rate and account balance.

The report, "Student Loans and Retirement Preparedness," provides information on how student loan debt payments affect 401(k) contributions of those who are contributing and whether participants increase or decrease their contributions when their student loan payments status changes (payments end or start). Provisions in SECURE 2.0 allow for many potential changes to 401(k) plans and financial wellbeing programs, including matching contributions to 401(k) plans from student loan debt payments. However, many benefit changes can result in additional expenses, and in some cases, these additional expenses might not result in the impact that was expected.

As a result, the research reviewed 401(k) plan recordkeeper data on balances and contributions of active participants linked with banking data from these same participants to see if they are making student loan payments. A three-year period was examined to determine if contribution changes resulted after stopping and starting payments and if student loan payments were made in prior years instead of just a one-year snapshot, which could miss participants who were making payments in the year(s) prior to an analysis year.

Highlights in the research reports include:
• One-fifth of the participants had student loan payments in at least one of the three years of this study, while 12.1% had them in all three years. However, the likelihood of these participants having student loan payments was higher for those younger or with higher incomes and lower for those with longer tenures.
• Among those with incomes less than $55,000, the average employee contribution rate of those making a student loan payment during the three-year period was 5.3% compared with 5.7% for those not making student loan payments. The difference is larger among those with incomes of $55,000 or more: 6.1% with payments vs. 7.3% without payments.
• When looking at the ending balances by tenure, the average was lower for those who made student loan debt payments than for those who did not make these payments. The differences are particularly pronounced among the participants with incomes of $55,000 or more. For example, among those with tenures of more than 5 years to 12 years, the average balance for those who made payments was $86,109 vs. $107,687 for those who did not make payments.
• Of the participants who were making student loan debt payments at the beginning of the study period and had stopped before the end of the study, 31.6% increased their contribution rate by at least one-percentage point after the payments had stopped. This share that increased was slightly higher for those with incomes less than $55,000 at 33.3% compared with 30.5% for those with incomes of $55,000 or more.
• Making student loan debt payments was found to have statistically significant negative impact on both the average employee contribution rate and account balance at the end of the study when using regression analysis.

"The paying of student loan payments had a significant impact on the level of contributions of those contributing. However, some of the impact of the student loan payments appeared to be lessened by the design of the 401(k) plan such as automatic enrollment or employer contribution match levels as the median employee contribution rate for all participants studied was near the level of the maximum amount matched and/or common default rates in automatic enrollment plans," explained Craig Copeland, director, Wealth Benefits Research, EBRI.

"Yet, many participants adjusted their contributions as their student loan debt obligations outside of the plan changed. Consequently, financial wellness programs can help in the contribution and debt payment decisions by considering the total finances of the participant. The payment status change can also be an important touch point in helping to improve the financial wellbeing of participants, as many appear to be making important financial decisions at this time and better information could improve outcomes," said Sharon Carson, retirement strategist, J.P. Morgan Asset Management.

The Employee Benefit Research Institute and J.P. Morgan Asset Management are conducting this study as part of an ongoing joint effort to deliver data-driven research to better understand how the financial factors faced by 401(k) plan participants outside of their 401(k) plan impact their retirement preparations. Overall, the goal is to provide unique fact-based insights to help build a stronger retirement system by policymakers, plan sponsors and plan providers.

Single customer households who are ages 65 or younger in 2017 from the Chase data were matched with participants from the EBRI/ICI 401(k) Plan Database. These single customer household participants must have complete data in both datasets in each year from 2017-2019. The 401(k) data only include active participants. The years of 2017-2019 were chosen since they are the most recent years before the suspension of student loan payments during the COVID-19 pandemic, which is expected to be closer to environment going forward. This results in 51,567 single customer household participants for the study's analysis.

To view the complete report, "Student Loans and Retirement Preparedness," visit https://www.ebri.org/student-loans-and-retirement.

(**MEDIA NOTE:** To receive the complete research report or access to the EBRI research library, email dresner@ebri.org).

About the EBRI/JPMC Research

The paper is based on research from a collaboration of Employee Benefit Research Institute (EBRI), with more than four decades of research on retirement policy, and JPMorgan Chase Bank, N.A. (Chase).[1] The latest research collaboration between J.P. Morgan Asset Management and the Employee Benefit Research Institute, which leverages data across 29 million Chase households[2] and 11 million 401(k) plan participant records, presents a new way of thinking about this critical – but still elusive – subject. Chase data includes a comprehensive view of total household spending through all payment mechanisms (select credit card, debit card, cash and checking) and sources of income including Social Security, annuity, pensions, etc. for around 21 million customer households.[3]

Commitment to Privacy and Security

No EBRI data was transferred to JPMorgan Chase Asset Management, and the data privacy of participants and contractual relationships with recordkeepers have been carefully protected. The EBRI has no access to personally identifiable information.

About EBRI

The Employee Benefit Research Institute was founded in 1978. Its mission is to contribute, encourage and enhance the development of sound employee benefit programs and sound public policy through objective research and education. The EBRI is the only private, nonprofit, nonpartisan, Washington, D.C.-based organization committed exclusively to public policy research and education about economic security and employee benefit issues.

The EBRI's membership includes a cross-section of pension funds, businesses, trade associations, labor unions, health care providers and insurers, government organizations and service firms. The 401(k) universe is a joint collaboration between EBRI and the Investment Company Institute.

This research paper was produced through a collaboration between J.P. Morgan Asset Management and the Employee Benefit Research Institute. In an ongoing collaborative effort, the Employee Benefit Research Institute and the Investment Company Institute (ICI) maintain the EBRI/ICI Participant-Directed Retirement Plan Data Collection Project, which is the largest, most representative repository of information about individual 401(k) plan participant accounts. The ICI is the leading association representing regulated funds globally, including mutual funds, exchange-traded funds (ETFs), closed-end funds, and unit investment trusts (UITs) in the United States, and similar funds offered to investors in jurisdictions worldwide. While this paper uses data from the EBRI/ICI database, ICI did not participate in the research collaboration between EBRI and JPMAM and was not involved in the writing of this paper.

About J.P. Morgan Asset Management

J.P. Morgan Asset Management, with assets under management of $3.1 trillion (as of 12/31/2023), is a global leader in investment management. J.P. Morgan Asset Management's clients include institutions, retail investors and high net worth individuals in every major market throughout the world. J.P. Morgan Asset Management offers global investment management in equities, fixed income, real estate, hedge funds, private equity and liquidity. For more information: www.jpmorganassetmanagement.com. J.P. Morgan Asset Management is the marketing name for the asset management businesses of JPMorgan Chase & Co., and its affiliates worldwide.

Morgan Asset Management or any of its subsidiaries to participate in any of the transactions mentioned herein. Any examples used are generic, hypothetical and for illustration purposes only. This material does not contain sufficient information to support an investment decision and it should not be relied upon by you in evaluating the merits of investing in any securities or products. In addition, users should make an independent assessment of the legal, regulatory, tax, credit, and accounting implications and determine, together with their own professional advisers, if any investment mentioned herein is believed to be suitable to their personal goals. Investors should ensure that they obtain all available relevant information before making any investment. Any forecasts, figures, opinions or investment techniques and strategies set out are for information purposes only, based on certain assumptions and current market conditions and are subject to change without prior notice. All information presented herein is considered to be accurate at the time of production, but no warranty of accuracy is given and no liability in respect of any error or omission is accepted. It should be noted that investment involves risks, the value of investments and the income from them may fluctuate in accordance with market conditions and taxation agreements and investors may not get back the full amount invested. Both past performance and yields are not reliable indicators of current and future results.

DATA PRIVACY: We have a number of security protocols in place which are designed to ensure all customer data are kept confidential and secure. We use reasonable physical, electronic, and procedural safeguards that are designed to comply with federal standards to protect and limit access to personal information. There are several key controls and policies in place which are designed to ensure customer data are safe, secure and anonymous: (1) Before J.P. Morgan Asset Management (JPMAM) receives the data, all selected data is highly aggregated and all unique identifiable information, including names, account numbers, addresses, dates of birth and Social Security numbers, is removed. (2) JPMAM has put privacy protocols for its researchers in place. Researchers are obligated to use the data solely for approved research and are obligated not to re-identify any individual represented in the data. (3) JPMAM does not allow the publication of any information about an individual or entity. Any data point included in any publication based on customer data may only reflect aggregate information. (4) The data are stored on a secure server and can be accessed only under strict security procedures. Researchers are not permitted to export the data outside of J.P. Morgan Chase's (JPMC) systems. The system complies with all JPMC Information Technology Risk Management requirements for the monitoring and security of data. (5) JPMAM provides valuable insights to policymakers, businesses and financial professionals, but these insights cannot come at the expense of consumer privacy. We take every precaution to ensure the confidence and security of our account holders' private information.

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[1] Chase serves nearly half of America's households with a broad range of financial services, including personal banking, credit cards, mortgages, auto financing, investment advice, small business loans and payment processing. For more information about Chase, visit the following website: https://www.chase.com/digital/resources/about-chase.
[2] This number represents the number of households we shared with EBRI to conduct the analysis. In this analysis, the Chase data sample is restricted to the households in 2017-2019 who use Chase as their primary banking institution.
[3] Data privacy and contractual relationships with recordkeepers have been carefully protected.