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Employee Benefit Research Institute

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FAST Facts

Student Loan Debt: Impact on Those Nearing Retirement

Background: In its July *Issue Brief*, “Student Loan Debt: Trends and Implications,” the Employee Benefit Research Institute (EBRI) found that student loan debt is a growing consideration for families headed by Millennials --and for families with older heads as well. Indeed, when it comes to families where retirement is on the horizon, those with student loan debt are less likely to have a defined contribution (DC) plan, and when they do, their balances are lower. This raises the specter of such families finding themselves poorly positioned to shore up their finances at a time when they should be preparing for retirement.

The data for the study come from the Federal Reserve’s Survey of Consumer Finances. This dataset is the most complete data on the wealth of American families and includes comprehensive breakdowns of all assets and debts.

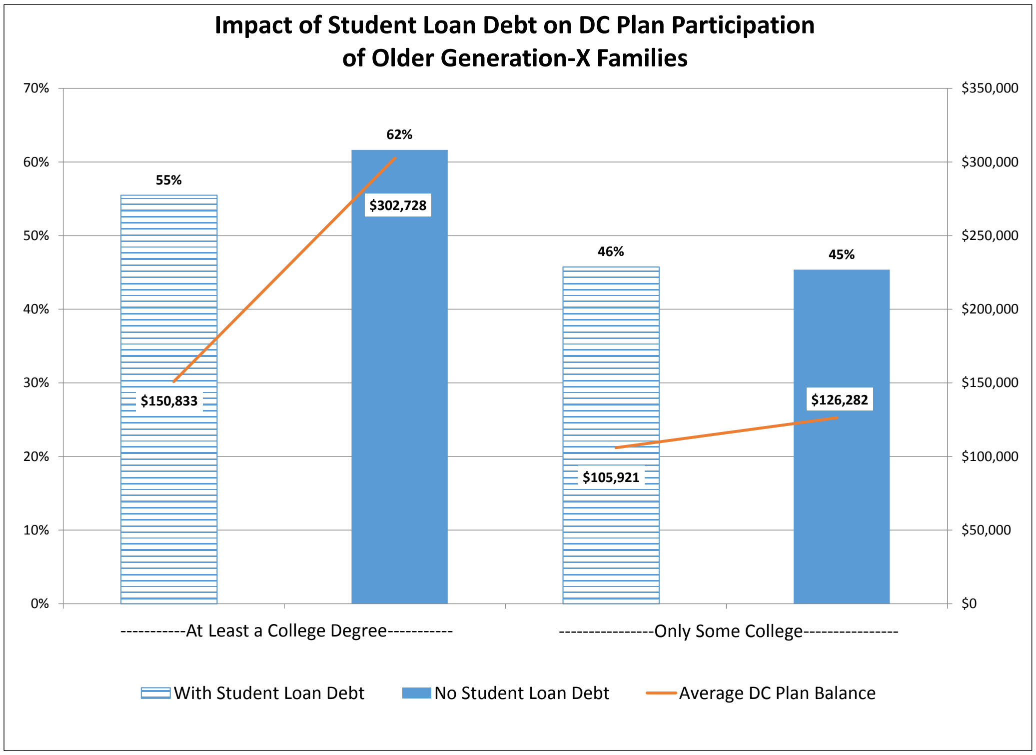
The study finds that families headed by Millennials (defined here as those less than 35 years old) are 84 percent more likely to be carrying student loan debt than those under 35 were in 1992: the percentage of younger (less than age 35) family heads reporting student loan debt has grown from 24.4 percent in 1992 to 44.8 percent in 2016. Families with older-Generation-X heads (defined here as ages 45-54 in 2016) are considerably less likely than younger families to have student loan debt in 2016—only 23.7 percent of the older families studied reported having student loan debt. However, the likelihood of having this debt has more than tripled since 1992, when 5.7 percent of families with heads ages 45-54 had student loan debt.

Impact on Asset Accumulation

The data show that families with older-Generation-X heads who have student loan debt are less likely to own a home. When there is no student loan debt reported, 84.7 percent of older-Generation-X families with a head having at least a college degree report owning a home. That proportion declines to 75.7 percent for comparable families that have student loan debt. This difference is even greater for older-Generation-X families whose heads are carrying student debt related to incomplete college educations. Just under 48 percent of families with student loan debt related to incomplete college educations report home ownership, significantly lower than the 70.9 percent reporting home ownership when student loan debt is not part of the equation.

When it comes to DC plan balances, when there is no student loan debt reported, 62 percent of older-Generation-X families with a head having at least a college degree say they have a DC plan balance. That proportion declines to 55 percent for comparable families with student loan debt. Further, the families with student loan debt have significantly lower DC plan balances than those without: the average DC plan balance is $150,833 for those with student loan debt vs. $302,728 for those without.

For families with older-Generation-X heads that have some college but no degree, the differences are more muted. Indeed, the likelihood of having a positive DC balance is virtually equal—46 percent for those with student loan debt vs. 45 percent for those without. The average DC plan balances are also more comparable: $105,921 for those with student loan debt vs. $126,282 for those without.



The EBRI report, "Student Loan Debt: Trends and Implications," is published as the July 9, 2018, *EBRI Issue Brief*, and is available online [here](#).

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