Workplace Financial Health Innovation

Rolling Out Credit- and Debt-related Benefits for Your Employees

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Author
Riya Patil, Associate, Workplace Solutions

Introduction

As many employees struggle with unmanageable debt, employers can make a difference by providing credit- and debt-related financial wellness solutions. Here are fiscal, legal, and regulatory considerations for businesses to keep in mind as they develop offerings to help employees manage debt, build credit, and improve their financial health.

Which Debt and Credit Challenges Are Employees Facing?

Americans have long relied on borrowing money to handle short-term financial needs and acquire assets that build long-term wealth. Unfortunately, many working Americans today struggle to manage their debt burdens. In a survey of 1,000 full-time employees at mid- and large-sized U.S. firms, 37% reported having more debt than they can manage.[1] Another recent study looking at only unsecured debt (specifically credit card, medical, and personal loan debt), found that almost two-thirds of employees (63%) have one or more of these types of unsecured debt.[2] To address these needs among their workers, employers should consider offering debt- and credit-related benefits.

Employee Debt and Credit Challenges

63%	1 in 5	62%
of employees have unsecured credit card, medical, or personal loan debt	employees with one of these 3 types of unsecured debt don't have access to any debt-related benefits at work	of employees with one of these 3 types of unsecured debt report they would be more likely to stay at a job that offered useful debt-related benefits

Not only can these benefits help employees pay down existing debt and avoid the need to borrow in the future, they can benefit businesses as well by improving employee retention and satisfaction. Almost two-thirds of employees (62%) with unsecured debt report they would be more likely to stay at a job that offered useful debt-related benefits.[3] However, one in five of these same employees don't have access to any debt-related benefits at work, with access even less common among workers with higher debt and lower incomes.[4] Given

[1] "Better for Employees, Better for Business: Providing the Tools to Meet the Financial Health Needs of Employees," Financial Health Network, July 2020.
[2] "Helping Employees Manage Debt," Financial Health Network, January 2022.
[3] "Helping Employees Manage Debt," Financial Health Network, January 2022.
[4] "Helping Employees Manage Debt," Financial Health Network, January 2022.

this gap, employers have the opportunity to distinguish themselves by offering robust and thoroughly designed credit- and debt-related benefits.

Which Solutions Are Available and How Are Employers Utilizing Them?

In this brief, we define credit-and debt-related benefits as benefits that help employees avoid borrowing for short-term needs (often at high rates), get them on a path to building long-term assets (like buying a home), and assist them in managing and repaying existing debt. When designing benefits programs, employers tend to overlook the importance of short-term financial needs.[5] Even as employers are expanding their financial wellness offerings, credit- and debt-related benefits remain some of the least frequently offered benefits.[6] Still, some employers have begun to offer benefits in a few key areas, including reducing or consolidating debt, improving short-term liquidity, building assets, and receiving financial guidance.

Types of Debt- and Credit-related Benefits

Debt Reduction and Consolidation

Benefit Examples

- Access to debt consolidation loans and other forms of debt relief
- Access to student loan solutions that offer evaluation tools and options for reducing payments
- Employer contributions toward student loan repayment

Employer Spotlight: **Aetna**

Aetna matches its full-time employees' student loan payments by up to $2,000 per year with a $10,000 life maximum . Part-time employees (20 hours a week or more) are eligible to receive up to $1,000 per year with a lifetime maximum of $5,000.

Source: "Fact Sheet: Aetna Program to Help Thousands of Employees Repay Student Loans," CVS Health, August 2016

[5] "Building Employee Financial Security in Uncertain Times," MetLife, January 2020.
[6] "2021 EBRI Financial Wellbeing Employer Survey: Focus on COVID-19 and Diversity Goals," Employee Benefit Research Institute, October 2021.

Short-term Liquidity

Benefit Examples

- Access to low-cost personal loans that employees pay back via payroll
- Emergency grants to help with unforeseen catastrophic events or illnesses
- Access to an emergency savings account
- Employer contributions to an emergency savings account
- Free or low-cost access to accrued, earned wages in advance of payday

Employer Spotlight: **Alorica**

Alorica, a global customer services company, has paired up with SaverLife, a nonprofit online savings platform and past Financial Solutions Lab participant, to encourage its employees to build emergency savings. Each employee receives a dollar-for-dollar match of up to $40 per month, plus a $20 bonus, to support a goal of building $500 in emergency savings.

Source: "Communities on the Rise: Building Prosperity Together in Bluefield & Johnstown," SaverLife, 2020

Asset-building Support Benefits

Benefit Examples

- Access to credit-building products and services
- Access to mortgage loan support
- Access to home buyer/homeowner education and counseling

Employer Spotlight: **Senior Helpers**

The Chicago franchise of Senior Helpers partnered with the nonprofit Working Credit to offer the organization's credit-building counseling program to workers who had been at the company for at least four months. Employees participated in workshops to learn about the credit scoring system, then could sign up for one-on-one credit building counseling sessions. Since the start of the program, 82% of employees offered the benefit have signed up and the number of employees with prime credit scores (660 or higher) has almost tripled.

Source:" Working Credit makes good business sense," Working Credit NFP

Financial Guidance

Benefit Examples

- Free access to financial planning app/website (e.g., budgeting and savings tools and calculators)
- Free credit counseling session to help manage debt
- Free financial education resources
- Free personalized coaching sessions with a financial professional

> *Employer Spotlight:* **JPMorgan Chase**
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> As part of its commitment to advancing racial equity, JPMorgan Chase announced in 2020 that it would offer financial coaching to all of its U.S. employees. The benefit includes unlimited one-on-one financial coaching by phone, a financial wellness assessment to help employees prioritize their goals, a website with tools and resources, and group engagement sessions.
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> Source: "Our Path Forward: Impact," JPMorgan Chase & Co., 2020

How Do Credit- and Debt-Related Benefits Improve Employees' Financial Health?

Credit- and debt-related benefits have the potential to help employees to better manage their debt and avoid additional borrowing, while also addressing short-term liquidity needs and building long-term wealth. These solutions give employees access to new tools and funds to reduce their debt burdens, lower financial stress, plan for significant financial milestones, and ultimately build financial health. Yet more research is still needed to understand how these types of benefits impact employee well-being and determine where guardrails may be needed to promote positive financial health outcomes.

What Should Employers Consider When Designing Credit- and Debt-Related Benefits?

Keep Equity Front and Center

Our findings show employees with higher levels of debt stress – particularly those with high total debts, low incomes, and women – are less likely to have access to employer-offered debt-related benefits.[7] In addition, as the largest generation in the U.S. workforce, millennials have unique financial needs that include repaying student debt and achieving milestones like homeownership.[8] By developing solutions targeted around these needs, employers can set themselves apart in a competitive marketplace.

Ensure Clear Communication, Confidentiality, and Ease of Access

It is not enough for employers simply to offer high-quality credit- and debt-related benefits – they must also focus on clearly communicating their offerings to employees. Studies show nearly half of employees (42%) report that they do not feel adequately informed about the financial wellness benefits their employer offers.[9] Ease of access is also a factor in employee uptake of financial wellness benefits, along with availability of personalized help.[10] Given potential concerns about the stigma of debt in the workplace, confidentiality assurances are also important.[11]

Minimize Costs to Employees

The costs – both to the employers and to the employees – will differ among each type of benefit. Employers should take care to minimize (or eliminate) any costs to employees associated with using these benefits. Below are examples of fee structures and costs for select benefits:

- **Financial planning and counseling services:** To offer counseling services, employers can source a vendor for a cost. Benefit plans offering individualized counseling services with certified financial planners tend to have the greatest cost per employee.[12]
- **Emergency grant funds:** Depending on the type of employer-provided assistance program, funding may derive from employee contributions, employer matching contributions, and even fundraising events (especially if the fund is classified as a charity).[13]

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7 "Helping Employees Manage Debt," Financial Health Network, January 2022.
8 "Better for Employees, Better for Business: Supporting Financial Health for Millennials and Women in the Workplace," Financial Health Network, September 2019.
9 "Better for Employees, Better for Business: The Case for Employers to Invest in Employee Financial Health," Financial Health Network, May 2019.
10 "Helping Employees Manage Debt," Financial Health Network, January 2022.
11 "Helping Employees Manage Debt," Financial Health Network, January 2022.
12 "How Much Do Employee Financial Wellness Programs Cost?," Enrich, September 2019.
13 "What is a tax-advantaged employee crisis fund, and what are the guidelines for establishing such a fund?," Society for Human Resources Management, August 2019.

- **Personal loans paid back via payroll:** Fee structures utilized by loan providers may include costs to both employers and employees. In some instances, employers may be charged set-up or annual fees, and employees may have to pay application fees or finance charges in addition to the loan interest rate.[14]

Regulatory Considerations

Since credit- and debt-related benefits are relatively new workplace benefits, it can be hard for employers to figure out which regulations apply. Regulatory consideration will differ based on benefit type and category, and certain programs may also be subject to employment and labor laws, in addition to regulations of particular types of products. For example:

- **The Consolidated Appropriation Act (CAA), enacted in late 2020, makes employer contributions of up to $5,250 annually toward employees' student loans tax-exempt through 2025.** Previous to CAA, only employer-provided tuition assistance up to $5,250 was tax-exempt under Section 127. There is strong support for Congress to make employer contributions toward student loan repayment a permanent tax-free benefit.[15]
- **Contributions from employers and employees to emergency grant funds can be tax-deductible if the fund is operated through a qualified nonprofit entity set up by the employer.** Grants, not loans, that employees received through the fund would not be subject to tax. There are three types of tax-advantaged, employer-provided assistance classifications for these programs: a public charity, a donor-advised fund, or a private foundation that can establish funds in those programs.[16]

Employers will need to be mindful of regulatory protections when designing and implementing credit- and debt-related benefits, and should seek out expert counsel to ensure they remain compliant.

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[14] "Starting a Small-Dollar Loan Program for Your Employees," Urban Institute, December 2020.
[15] "Employers' Student Loan Assistance Tackles the College Debt Crisis," Society for Human Resources Management, May 2021.
[16] "What is a tax-advantaged employee crisis fund, and what are the guidelines for establishing such a fund?," Society for Human Resources Management, August 2019.

For more best practices regarding the design and communication of credit- and debt-related benefits, please see the Guide to Employee Financial Health Solutions, a supplement to our Employer FinHealth Toolkit.

For more ways to improve employee financial health, explore the full Employer FinHealth Toolkit or get in touch with our Workplace team.

The Financial Solutions Lab (FSL) was established in 2014 to cultivate, support, and scale innovative ideas that help improve financial health. FSL focuses on solutions addressing acute and persistent financial health challenges faced by low- to moderate-income individuals, Black and Latinx communities, and other underserved consumers.

The Financial Health Network manages the Financial Solutions Lab in collaboration with founding partner JPMorgan Chase and with support from Prudential Financial.

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