Understanding the multigenerational impact of student loan debt on family, finances and relationships

Over 44 million people in the United States carry student loans for themselves or a family member with outstanding debt among borrowers estimated at nearly $1.5 trillion.[1] This debt impacts families across all life stages, including a growing number of older adults.[2]

84% of borrowers say student loans negatively impact the amount they save for retirement.

TIAA, in partnership with the Massachusetts Institute of Technology (MIT) AgeLab, conducted a survey and focus groups of student loan borrowers of all ages to better understand the intersection of student loan debt, longevity planning and family dynamics.

Student loan debt is a hurdle for retirement savings

73% of borrowers aren't maximizing their retirement savings. They expect to begin or increase their contributions once their student loans are paid off.

26% of those who aren't saving for retirement at all say it's because they need to pay off student loan debt.

Borrowers of all ages, including parents and grandparents, are making financial sacrifices to repay student loans.

25- to 35-year-olds who are not saving for retirement: 39% say they are prioritizing student loan payments.

Parents and grandparents taking out loans for children and grandchildren: 43% say they will increase retirement savings once the student loan is paid off.

Women: Focus group participants—particularly women—describe the struggle of sacrificing their own financial security in retirement in order to put their children's education and wellbeing first.

Student loan debt affects financial preparedness

The study shows that student loan debt limits people's confidence in their ability to meet their financial goals.

Loan knowledge is low:
23% of borrowers say they were not at all knowledgeable about student loans before incurring them.

Only 6% characterize themselves as being extremely knowledgeable about their loans in advance.

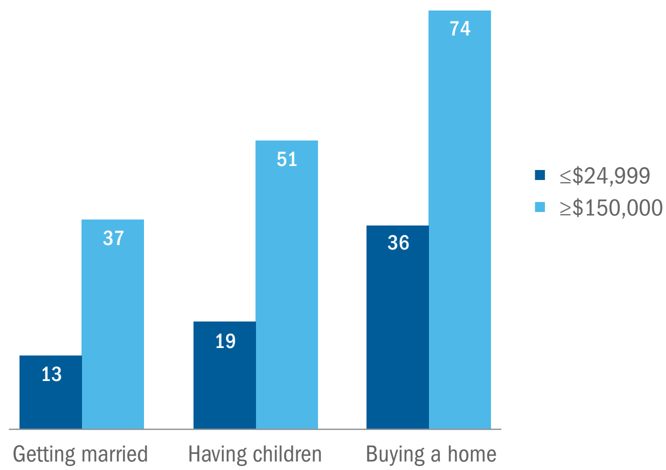
Few conduct their own research:
Only 7% report doing their own research before deciding how much to take out in student loans.

Professional advice not sought:
Only 8% of parents and grandparents and 3% of student borrowers used the services and advice of a financial advisor when making decisions about funding higher education.

Couples with higher student loans are delaying traditional milestones

The greater the student loan debt, the greater the likelihood borrowers are putting off key life events.

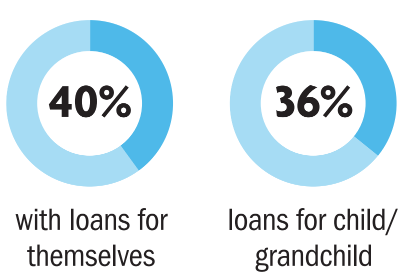
Percent delaying milestones by student loan debt



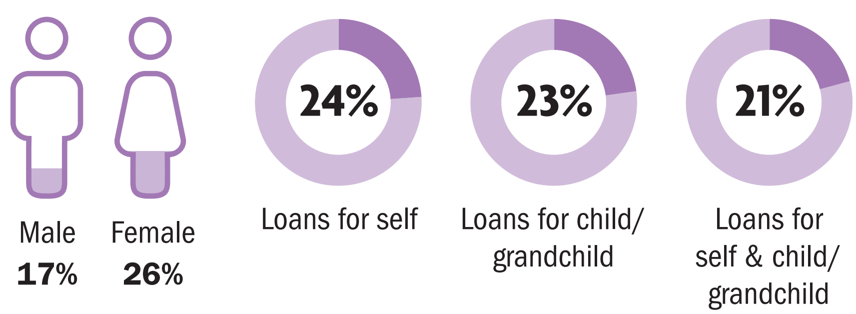
Limited family communication may contribute to conflict

23 percent of borrowers report student loans led to conflict

Borrowers not communicating with family about student loans



Borrowers who experience loan-related family conflict



Steps toward improving student loan debt management and retirement security

Policymakers, employers, financial services companies and educational institutions all play an important role in helping people effectively manage their student loan debt financially and emotionally. Employers and policymakers can especially make a difference.

Employers can make it easier for employees to save while paying off their loans through innovative retirement plan design. For example, some employers today offer guaranteed retirement contributions, with limited or no match requirements, allowing retirement savings to grow even if an employee isn't able to contribute. These simple designs can offer valued benefits to both employees and employers.

Policymakers can support legislation that would allow employers to make matching contributions to employees who are paying down student loans in lieu of adding to their retirement plan. This would help employees build retirement savings even as they reduce their educational debt burdens.

Advice and coaching are key to helping people navigate competing financial demands. Individuals who engage with qualified financial professionals are generally better equipped to make decisions about paying for education for themselves or a loved one without sacrificing their future financial security.

Methodology

The MIT AgeLab conducted a two-part mixed-methods study between February 2018 and April 2019. The first part consisted of small, in-person focus groups with 88 participants, in conjunction with pre-group and follow-up online questionnaires.

The second part of the study involved a larger online national survey of 1,874 participants. In both parts of the study, participants ranged in age from 25-75, and were currently contributing to student loan payments for their own and/or an immediate family member's higher education.

[1] Consumer Finance Protection Bureau, 2017 (Consumer Finance Protection Bureau, 2017 https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/cfpb_consumer-response-annual-report_2017.pdf)

[2] Federal Reserve Bank of New York, 2018 https://www.newyorkfed.org/microeconomics/topics/student-debt
Federal Reserve Bank of New York, 2019 https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/hhdc_2019q1.pdf

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