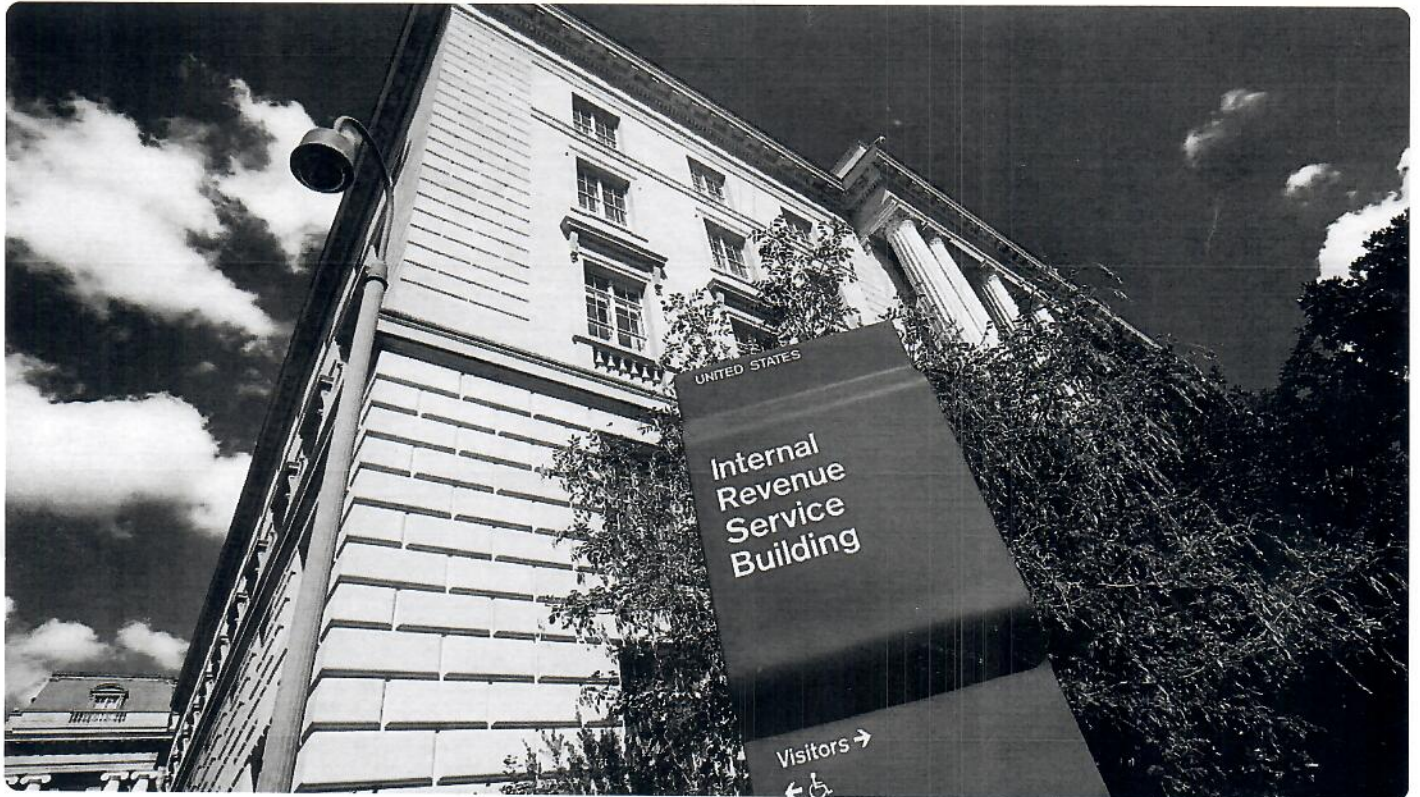


IRS Issues Guidance on Retirement Matches for Student Loan Payments

August 21, 2024 | Kathryn Mayer



Employers now have some clarity around a new program that allows them to match retirement plan contributions to employees' student loan payments.

The IRS on Aug. 19 released long-awaited interim guidelines - (<https://www.irs.gov/pub/irs-drop/n-24-63.pdf>) regarding the program, a provision under SECURE ACT 2.0 that allows employers with 401(k), 403(b), governmental 457(b), or Savings Incentive Match Plan for Employees (SIMPLE) IRA plans to match employees' student loan payments like they would for traditional retirement contributions. The provision took effect this year, but employers have been waiting for more guidance around the new program.

In **Notice 2024-63 - (<https://www.irs.gov/pub/irs-drop/n-24-63.pdf>)**, the IRS clarified eligibility rules and certification requirements in a Q&A format.

The guidance applies for plan years beginning after Dec. 31, 2024, the agency said.

The notice addresses a variety of plan-administration issues, **the IRS said in an accompanying news release - (<https://www.irs.gov/newsroom/irs-issues-important-interim-guidance-on-employer-matching-contributions-made-to-retirement-plans-related-to-employee-student-loan-payments>)**, including:

- General student loan matching contribution eligibility rules (including dollar and timing limitations).
- What is required for an employee certification that student loan matching contribution requirements have been met.
- Reasonable student loan matching contribution procedures that a plan may adopt.
- Special nondiscrimination testing relief for 401(k) plans that include student loan matching contributions.

Among other guidance, the IRS said employer contributions to student loan repayments must be made at the same rate and under the same vesting schedule as the plan's regular match. The agency also said that employees must annually self-certify that they are making the student loan payments.

The program allowing employers to match 401(k) plan contributions to employees' student loan payments was created to help employees build retirement savings while paying down student debt. That's historically been an issue for many employees—**a survey last year from Fidelity Investments - (<https://newsroom.fidelity.com/pressreleases/next-gen-visionaries--fidelity--study-reveals-how-the-next-wave-of-college-students-are-rewriting-th/s/24ef1515-f374-4982-a874-413be936362e>)** found that two-thirds of recent college graduates said their loans have prevented them from saving for retirement and getting married.

Employees have been looking for help from their employers on balancing their financial needs. A growing number of employers have added student loan benefits, though it is still not a widespread offering. According to the **2024 SHRM Employee Benefits Survey - (<https://www.shrm.org/topics-tools/research/employee-benefits-survey>)**, 9% of employers currently offer student loan repayment, up from 8% in 2023.

Once the notice is published in the *Federal Register*, the IRS will accept comments for 60 days.