Issue Brief

The American Institute of Architects

THE PROBLEM

America has a student debt problem. Over 44.7 million Americans carry a collective $1.5 trillion in student loan debt. America also has a savings problem. Less than 20% of people are saving the recommended amount for retirement. Almost 60% of American workers under age 25 aren't saving through an employer 401 (k) plan at all.

THE "ASK"

The AIA urges Congress to bipartisanly support legislation to allow employers to count student debt repayment as the matching requirement to contribute to their employee's retirement plan.

NEED MORE INFO OR WANT TO WORK WITH AIA ON THIS ISSUE?

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Support graduates to afford both student loans and retirement.

ANALYSIS

Across the United States, the issue of student debt is affecting graduates in every eco-nomic sector and community. Almost 45 million Americans carry a collective $1.5 trillion in student loan debt in 2019. Data available on the most recent class of borrowers, the Class of 2017, show that they will shoulder an average of almost $29,000 in student loans. A recent survey found the situation is worse for recent architecture graduates, who will owe an average of $40,000 in student loans.

It has been widely acknowledged that student debt presents a significant financial bur-den on graduates who may struggle to afford repayment along with day-to-day needs. However, there is another consequence of student debt that may be even more costly: deferred savings for retirement and other future expenses.

According to three prominent retirement investment firms, Fidelity Investments, Van-guard, and Francis Financial, the recommended amount that a person should save for retirement is between 12-15% of their gross income. Most Americans are not saving close to that amount. In 2016, only about 18% of 401 (k) participants saved more than 10% of their gross salary. For younger Americans, future financial planning is even less secure, as almost 60% of workers under age 25 do not save through an employer-based 401 (k) plan at all. Due to compound interest, the first few years of savings can be the most consequential, so this represents a direct threat to future financial stability.

Architecture recent graduates face additional obstacles to retirement savings. The pro-cess to become a licensed architecture does not stop at graduation; licensure require-ments take additional years to complete. In about 80% of architecture firms, non-licensed graduates make less than their licensed counterparts, making this initial period of employment even more difficult to set money aside for the future.

THE SOLUTION

Congress should support legislation to allow employers to count an employee's student loan payment as the matching requirement for retirement. All types of student loans and retirement plans should be eligible. We call on Congress to support, in a bipartisan way, S. 1428 which would accomplish these much needed reforms. This will prevent graduates from being forced to make the impossible choice between paying for their past or their future.

AIA