

# Can Student Debt Coexist With Retirement Savings?


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With the ever-increasing cost of higher education, student debt can be a significant issue for new graduates. A recent report estimates that the average student loan debt is nearly \$43,000,<sup>1</sup> and debt levels are likely to increase.

## What is an employer matching contribution?

An employer matching contribution is when your employer contributes money to “match” the money that you put into your retirement account. For example, for every \$1.00 you save, your employer may contribute \$0.50, up to a certain percentage of your salary. There are different kinds of match structures, so look at what your employer may offer and consider whether you are contributing enough to the retirement account to maximize your employer's match.

As a result, new graduates often have to strike a balance between paying back their student loans and beginning to save for retirement. The best approach depends on each graduate's unique circumstances; however, there are three guiding principles to consider:

### Create a monthly budget

Determining how much you spend on rent, student loan payments, groceries and other necessities is an important first step toward developing a financial strategy. This exercise can help you understand what you can afford to spend on “fun stuff.”

### Make your student loan payments on time

Making your minimum loan payment every month is critical. If minimum payments are not within your budget, there may be resources available to help you refinance.<sup>2</sup> If you have more than one loan, paying off higher-interest-rate loans first is generally the best option.

### Take advantage of your company's retirement plan match

If you can afford it, contributing to your employer's retirement plan and taking advantage of an employer match can be one of the best returns on investment you can find. Effective in 2024, employers are permitted to make matching contributions to a defined contribution plan on qualified student loan payments. Check to see if your employer offers such a program.

This material should be used as helpful hints only. Each person's situation is different. You may want to consult your investment professional, financial advisor or other relevant professional before making any decisions.

<sup>1</sup> Source: educationdata.org August 8, 2025.

<sup>2</sup> Consumer Financial Protection Bureau- Repay student debt website [consumerfinance.gov/paying-for-college/repay-student-debt/](https://consumerfinance.gov/paying-for-college/repay-student-debt/).



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## ASSUMPTIONS

- Age: 21 years old
- Salary: \$55,000 (\$4,583/month)\*
- Annual salary increase: 2%
- Student loan details: \$40,000 balance, paid over 10 years at 5.0% fixed interest rate;<sup>3</sup> monthly payment = \$423
- Employer match: 50% on first 6% of retirement contributions
- Annual investment returns: 6.0%

\*Pre-tax salary

These hypothetical examples are for illustrative purposes only and are not intended to predict the returns of any investment choices. Rates of return will vary over time, particularly for long-term investments. There is no guarantee the selected rate of return can be achieved. Any investments may have fees and expenses that are not taken into account, which would lower the performance. Regular investing does not ensure a profit or protect against loss in declining markets.

## Understanding how your decisions can affect retirement savings

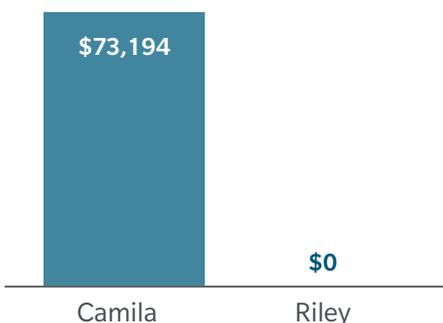
Camila and Riley both graduate from college and start new careers. Each has \$40,000 of student loans to pay off and a student loan payment of about \$423 a month.

After reviewing her budget, Camila determines that she can afford to contribute 6% of her pay (\$275 a month) to her employer’s retirement plan, allowing her to take full advantage of her employer’s 3%-of-pay matching contribution. Riley has a tighter budget and decides not to contribute to his employer’s retirement plan until he has paid off his loans.

### Saving for retirement early in your career . . .

Hypothetical retirement account balances after working for 10 years

■ Projected retirement account in 10 years

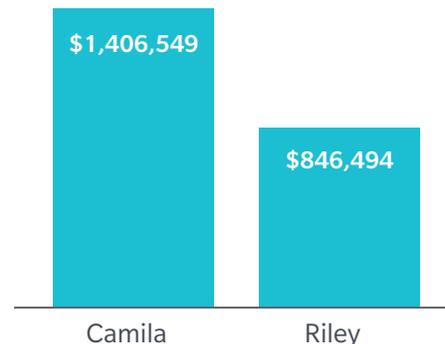


**After 10 years, Camila and Riley both pay off their student loans. Camila’s retirement savings have grown to about \$73,000. Riley has a balance of zero.**

### Can have a big impact on savings later in life

Hypothetical retirement account balances at age 65

■ Projected retirement balance at age 65



**Riley’s balance is projected to accumulate to nearly \$847,000, a high balance, but much lower than Camila’s balance of just over \$1.4 million, illustrating how those early savings years can have a meaningful impact on outcomes when compounded over a long period of time.**

## Key takeaway to consider

Start saving for retirement as soon as you can afford to do so. New graduates should budget carefully to determine whether they can afford to begin saving for retirement and take advantage of an employer’s matching contribution while also paying down their student debt. Early savings can have a significant impact on retirement account balances years down the road.

<sup>3</sup> Source: studentaid.gov, salliema.com; Lowest fixed interest rate for direct federal loans is 6.39% for the period 7/2025–6/2026. Lowest rate on private loan through Sallie Mae is 2.9%. Higher rates may apply in certain circumstances.

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