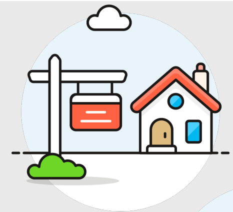
MIT AgeLab
PLAN Webinar Series
February 2022

The MIT AgeLab hosted its first 2022 webinar for panelists and corporate members of the Preparing for Longevity Advisory Network (PLAN). Titled “Student Loan Repayment: What Every Advisor Needs to Know Beyond the Dollars and Cents,” the webinar featured a presentation from AgeLab researchers Julie Miller and Samantha Brady on the relevance of student loans for the financial advisory practice. Justin Kribs, Director of Financial Planning and Student Loan Services at InsMed Insurance Agency Inc., also appeared as a presenter.

The researchers highlighted the increasing prevalence of student debt among older borrowers, the taboo nature of financial conversations in family, and the power of early financial education for producing greater financial self-efficacy. They also discussed how financial advisors can play a role in facilitating client conversations about student debt, guiding clients through the repayment process, and serving as educators for prospective borrowers and their families.

The prevalence and influence of student debt



Julie Miller began the presentation by observing that student debt is more widespread than commonly assumed – particularly among older borrowers. The share of borrowers in older age groups, including those in their 40s, 50s, and 60s and older, have all increased since 2004. Individuals with graduate degrees hold more than half of all student debt in the United States – suggesting that professional and advanced degrees that are often attained later in life have a profound impact on the amount of debt that graduates hold.

Student loans factor into an interrelated web of financial domains and decisions. Borrowers have reported that their student debt has impacted their decision-making on matters such as buying a home, starting a family, paying down other debt, and saving for retirement. For an advisor to have a complete picture of a client’s financial situation, understanding their student loan burden – and potential future burden in sending their children to college or returning to school in later life – is essential.

“I have a client in her late 50s. She’s still working on paying off student loans for her PhD. She works at a non-profit organization [in order to access] the student loan forgiveness program, and that’s been a total headache because there’s so many unknowns and uncertainties … It’s been painful, and for this person it’s affecting her retirement, where she works, and how much she works. She’s trying to find a balance in so many different ways of how much to pay. It’s just full of question marks” – Financial advisor

Keeping debt in the dark

Dr. Miller went on to observe that student debt – and finances generally - is often a taboo topic within families, even when one family member’s borrowing may have significant impact on others. Families may take out loans without coming to an understanding about who will be obligated to carry and pay down the debt, leading to future feelings of being deceived or misled about the loans. Borrowers tend to fall into different categories of frequency and directness of discussing their loans with family members, as shown in the accompanying figure.

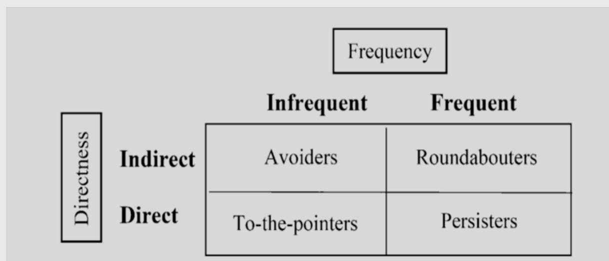


Fig. 2 Typologies of family communication regarding student loans during repayment (Miller, 2019)

An additional effect of keeping debt in the dark is a paucity of advice that many borrowers receive prior to taking out student loans. Over half of borrowers reported not consulting with anyone at all – family members nor professionals – prior to taking out their loans. The most used source of information and consultation among borrowers, instead, was the internet.

“[I was speaking] with this young couple that has a small house that they’re quickly outgrowing. The conversation [at first] was, ‘How much house can we buy, how much can we move up?’ As we’re looking at the loan rate based on their income and we’re talking about this really sweet house, [they] pause and the wife looks at the husband and says, ‘but we have student loans.’” – Financial advisor

How advisors can play a role

“No one owns the issue” of planning for and repaying student debt, said Justin Kribs, including university financial aid offices. Financial advisors themselves often say that student debt is in the domain of other professionals, but in reality, no one is taking it on as their specialty. Advisors who provide counsel on borrowing and repayment of student loans, consequently, are in high demand.

But an advisor can play a profoundly impactful role across multiple phases of the borrowing process. Educating clients and their children about options for paying for higher education, guiding clients with debt through the complexities of loan decisions and repayment, including the notoriously complicated public service loan forgiveness program, and helping families find ways to have productive conversations and loans and finances are all ways that an advisor can help.

In particular, early financial education about student loans has a powerful impact on borrowers’ financial literacy and self-efficacy, and thus their ability to manage and pay off their debt.

“I think that planning aspect that you mentioned, if advisors can find resources for scholarships, if they can say, ‘here’s a scholarship I learned about that you might be eligible for’, I mean that’s huge. That’s having an impact from the start.” – Financial advisor

Action items for advisors

- **Keep on top of the news.** Policies on student loan repayment and forgiveness can change in significant ways. Providing your clients with this information can be huge beneficially to them.
- **Learn more about student loans and loan repayment.** No one is owning the issue of student debt. Becoming an expert in a field in which there are none is a way to increase your value as a professional to your current clients and potentially draw in new ones..
- **Incorporate loan conversations into your practice.** Student debt is integrated with every other financial concern. Buying a home, starting a family, paying down other debt, and saving for retirement can all be significantly impacted by student debt. By knowing your clients’ student debt situation, you can give them the best possible advice.
- **Offer financial education and build loan literacy for multiple generations.** Financial literacy, especially early in life, can have major impacts on a person’s financial self-efficacy and financial management capabilities. Older borrowers may also benefit significantly from education and literacy prior to taking out student loans.
- **Create starting points for family conversations**. Talk to parents about how they plan to fund their children’s higher education. Encourage clients to think about what is prudent for them and what they value most in choosing and paying for a college degree. If you can, bring their children into the conversation as well.
- **Have useful tools at hand.** Student loan repayment calculators can be difficult to find. Justin Kribs recommends a repayment simulator offered by the Veterinary Information Network Foundation.

The context of how we live in retirement has changed, and a new approach to anticipating, planning and preparing for older age is accordingly needed. We invite financial advisors, retirement planners, and others in the retirement industry to join PLAN to contribute to MIT AgeLab research on the future of advice and to be among the first to learn of key findings and innovations that will improve your practice and client outcomes.

Invite others to join plan!
agelab.mit.edu/plan