Press contact
Elizabeth Anderson

888-200-4062
media@tiaa.org

Like us on Facebook

Follow us on Twitter

Connect on LinkedIn

TIAA-MIT AGELAB STUDY FINDS STUDENT LOAN DEBT SIGNIFICANTLY IMPACTS RETIREMENT SAVINGS, LONGEVITY PLANNING AND FAMILY RELATIONSHIPS

One-quarter of those not saving for retirement cite student loans as the reason; Parents and grandparents borrowing for loved ones are hardest hit

NEW YORK July 30, 2019 – A large majority of American adults (84%) report that student loans are negatively impacting the amount they are able to save for retirement, according to new research sponsored by TIAA and conducted by the MIT AgeLab. Nearly three out of four (73%) borrowers report they are putting off maximizing their retirement savings, saying they expect to begin or increase their contributions once their student loans are paid off. Among those who are not saving for retirement at all, more than one quarter (26%) point to the need to pay off student loan debt as the reason.

The yearlong study, which explores the intersection of student loan debt, longevity planning and family dynamics, shows that life stage—and who the loans are being taken out for—plays a key role in the balancing act of paying off student debt and saving for retirement.

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

Among 25- to 35-year-olds who are not saving for retirement, 39% say they are prioritizing student loan payments. Of the parents and grandparents taking out loans for children and grandchildren, 43% say they will increase retirement savings once the student loan is paid off. In focus groups, women, in particular, described the struggle of sacrificing their own financial security in retirement in order to put their children's education and wellbeing first.

"To be sure, getting a college degree remains one of the smartest investments a person can make in their financial future – but saving for retirement is equally important," said Roger W. Ferguson, Jr., president and CEO of TIAA. "We believe that advice and coaching are key to navigating what can seem like competing demands. TIAA has found that people who engage with qualified financial professionals are better equipped to make decisions about paying for education for themselves or a loved one without sacrificing their future financial security."

Families struggle to discuss and understand student loans

Many borrowers also report that they did not discuss finances—including student loans—with their family. In fact, 40% of borrowers with loans for themselves and 36% of borrowers with loans for a child or grandchild report never speaking with their family about their student loans.

In many cases, family members aren't aware of the financial strains caused by student loans. Over half of borrowers with loans for themselves (51.4%) and nearly one-third of borrowers with loans for a child or grandchild (31%) report their family knew "nothing" or "very little" about their student loans.

Student loans place burdens on couples

According to the study, student loans are also impacting personal romantic relationships. The likelihood of loans affecting borrowers' romantic relationships varies with their loan amounts. Only 6% of borrowers with a loan amount of $9,999 or less report a negative effect on romantic relationships, compared to 34% of borrowers with an initial loan amount of $200,000 or more.

Borrowers with higher initial loan amounts also report greater loan-related delays to traditional milestones.

- **Getting married**: 13% of borrowers who took out $24,999 or less report that loans affected the timing of their marriage, compared with 37% of those who took out $150,000 or more.
- **Having children**: 19% of borrowers with an initial loan amount of $24,999 or less say that the loans affected when they had children, compared to 51% of those with $150,000 or more.
- **Buying a home**: Over a third (36%) of borrowers with an initial loan amount of $24,999 or less and the majority (74%) of those with $150,000 or more say that the loans affected when they planned to buy or bought a home.

The study also shows that unclear expectations and poor communication prior to repayment can spark conflict for couples. When the contribution amount was not clear from the beginning, borrowers were more likely to report ongoing conflict with their families or partners due to the student loans.

- 36% of participants who were currently contributing to their partner's education who said their current contribution amount was not clear from the beginning report conflict, compared to 20% of participants who say their contribution level was clear from the beginning.

- 42% of borrowers who say their current contribution amount for their own student loans was not clear from the beginning report conflict, compared to only 17% of those who say their current contribution level was clear from the beginning.

"We have always known that longevity can be optimized by having access to retirement security and support from family," said Joseph Coughlin, Director of the MIT AgeLab. "What we now know is that for borrowers across the age spectrum, student loan debt can create shocks to both."

Student loans impact how people perceive their financial preparedness

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

To boost financial confidence and preparedness, education is key. People want and need more financial education to understand and prepare for the impact of their student loan debt. The study reveals that:

- 23% of participants say they were not at all knowledgeable about student loans before incurring them.
- Only 6% of participants characterize themselves as being extremely knowledgeable about their loans in advance.
- Only 7% of participants report doing their own research before deciding how much to take out in student loans.
- 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.

When borrowers were asked what would help them most in their financial situation, earlier training about finances and money management were cited as the most potentially beneficial strategy for tackling student loan repayments.

"Policymakers, employers, financial services companies and educational institutions all play an important role identifying and creating solutions," Ferguson said. "Ensuring people fully understand their options and the impact of any loans they do take, along with innovative approaches to retirement plan design that enable employers to jumpstart people's savings while they're paying down their debt, can help address the issue."

Additional information regarding the study, including an executive summary, can be found here.

Study 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.

About TIAA

With an award-winning[1] track record for consistent investment performance, TIAA (TIAA.org) is the leading provider of financial services in the academic, research, medical, cultural and government fields. TIAA has $1.1 trillion in assets under management (as of 6/30/2019[2]) and offers a wide range of financial solutions, including investing, banking, advice and education, and retirement services.

About the MIT AgeLab

The MIT AgeLab was created in 1999 to invent new ideas and creatively translate technologies into practical solutions that improve the quality of life of older adults and those who care for them. The AgeLab applies consumer-centered systems thinking to understand the challenges and opportunities of longevity and emerging generational lifestyles to catalyze innovation across business markets.

1 The Lipper Mixed-Assets Large Fund Award is given to the group with the lowest average decile ranking of three years' Consistent Return for eligible funds over the three-year period ended 11/30/15 (against 39 fund families), 11/30/16 (36), 11/30/17 (35) and 11/30/18 (35). Note this award pertains to mixed-assets mutual funds within the TIAA-CREF group of mutual funds; other funds distributed by Nuveen Securities were not included. From Thomson Reuters Lipper Awards, © 2019 Thomson Reuters. All rights reserved. Used by permission and protected by the Copyright Laws of the United States. The printing, copying, redistribution, or retransmission of this Content without express written permission is prohibited. Certain funds have fee waivers in effect. Without such waivers ratings could be lower. Past performance does not guarantee future results. For current performance, rankings and prospectuses, please visit the Research and Performance section on TIAA.org. The investment advisory services, strategies and expertise of TIAA Investments, a division of Nuveen, are provided by Teachers Advisors, LLC and TIAA-CREF Investment Management, LLC. TIAA-CREF Individual & Institutional Services, LLC, Teachers Personal Investors Services, Inc., and Nuveen Securities, LLC, Members FINRA and SIPC, distribute securities products.
[2] *Based on $1,055 billion of assets under management across Nuveen Investments affiliates and TIAA investment management teams as of 6/30/19.*

This material is for informational or educational purposes only and does not constitute investment advice under ERISA. This material does not take into account any specific objectives or circumstances of any particular investor, or suggest any specific course of action. Investment decisions should be made based on the investor's own objectives and circumstances.

Investment, insurance and annuity products are not FDIC insured, are not bank guaranteed, are not deposits, are not insured by any federal government agency, are not a condition to any banking service or activity, and may lose value.

Annuity contracts and certificates are issued by Teachers Insurance and Annuity Association of America (TIAA) and College Retirement Equities Fund (CREF), New York, NY. Each is solely responsible for its own financial condition and contractual obligations.

TIAA and MIT AgeLab, and any of their affiliates or subsidiaries, are not affiliated or in any way related to each other.

906208