

# US student loan forgiveness will give 73,000 US consumers extra cash—and they'll want help saving and investing it

Article

**The news:** The Biden administration has approved another **\$5 billion** in student loan forgiveness for public servants, such as teachers and social workers.

- Forgiven student loans will appear as adjusted payments as part of income-driven repayment (IDR) plans or public service loans forgiveness (PSLF) credit.

**By the numbers:** For these 73,000 borrowers, **forgiveness of an average of \$68,000** could make a profound impact on their ability to make ends meet and set aside money for the future.

- **84%** of higher education borrowers say student loans have impacted their ability to save for retirement.
- **Two-thirds of employees** say student loan payments will derail their plans for retirement savings.
- **60%** of student loan borrowers have missed payments since last October, when repayments resumed, per Intelligent. A quarter have not made a single payment since then, and 69% of these borrowers say they cannot afford to.

Student debt forgiveness may fast-track some of these customers' financial goals.

- Currently, **40%** of Gen Z and millennial borrowers say they would use future inheritance to pay off debt, and 69% say they'd only need \$10,000 to pay it off.
- 66% of borrowers say they save less for retirement so they can make student loan payments. These borrowers may be able to get back on track with the new relief.

**How can banks inspire customers to make the most of their extra cash?** Customers may not know how to best invest these suddenly freed-up funds.

- Young investors have **eight- to 12-second attention spans**, so they need straightforward investment or savings tools that require minimal effort.
- And **Mint's shutdown** has left a sizable gap in the personal finance management (PFM) world that no single FI or fintech has filled yet. No other tool currently aggregates PFM into one

single platform across multiple bank and expense accounts.

- Financial institutions (FIs) that develop such a tool—or partner with a fintech that could—may gain a competitive advantage they could market to both Mint’s former customers and borrowers receiving student debt relief.

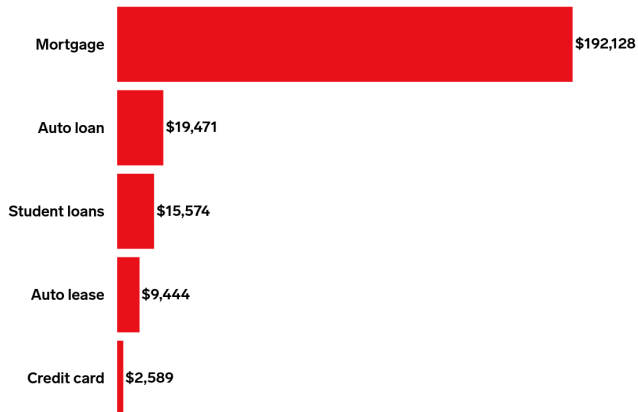
**Key takeaways:** Almost half of borrowers who cannot afford to make repayments lack insights about income-driven repayment plans, which can lower their monthly student debt bill. Twenty-nine thousand borrowers will receive this relief in the form of IDR adjustments.

- Even if FIs aren’t directly involved in their customers’ student loan repayments, equipping advisors and customer-facing staff with information on how customers could qualify for future relief or income-based assistance could help them better advise their clients on setting aside more for deposits and investments.

Harnessing transaction data can also help FIs increase their revenue.

- For example, **this would be a good time to market advisor services or investment and savings tools to customers who make regular student loan payments** from their accounts.

**Average Debt Held by US Gen Z Internet Users, May 2022**  
per person amount



Note: ages 18-25  
Source: Credit Karma, "Average American debt by age and generation in 2022," Sep 27, 2022  
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