

# SECURE 2.0 Act optional provision guide

Matching contributions for student loans



# Effective date: January 1, 2024

Effective for: 401(k), 403(b), and governmental 457(b) plans

## Purpose

Student loan debt can be a major reason many employees are unable to contribute to their retirement savings. To help, the SECURE 2.0 Act's student loan matching provision allows employees with student

loan debt who may not be able to participate in their plan (or who may not be able to save as much as they would like) to still take advantage of the plan's employer match.

## Provision overview

This optional provision allows plan sponsors to make matching contributions on qualified student loan payments without requiring employees to make elective deferrals. For purposes of calculating the employer match, those qualified student loan payments are treated just like plan deferrals and are matched based on the plan's traditional match formula.

- To be considered a qualified student loan repayment, the payment made by the participant must be for qualified higher education expenses.
- The total amount of the participant's qualified student loan payment cannot exceed the participant's compensation or the deferral limit, whichever is less.

- The combined total of the participant's qualified student loan payments and elective deferrals cannot exceed the Internal Revenue Code (IRC) Section 402(g) limit.
- Vesting and eligibility rules for participants receiving the student loan match must be the same as for the plan's traditional employer match, although the student loan match may be made at a different frequency than the plan's traditional contribution.
- For purposes of nondiscrimination testing, plan sponsors are permitted (but not required) to test participants receiving the student loan match separately.



## Vanguard's approach

A focus on financial wellness is a key component of Vanguard's SECURE 2.0 optional provision offer. This is why Vanguard is prepared to offer the matching contributions for student loans provision in Q1 2025. By adopting this optional

provision, plan sponsors can encourage employee participation in their retirement plans. The additional flexibility will give more participants the chance to start saving earlier and saving more for the future.

## What to expect

Vanguard is actively partnering with Candidly to provide a solution for this provision, one of several student loan debt services offered by the financial wellness platform. This partnership provides participants with a thoughtful, innovative approach to managing their student debt and allows plan sponsors to take advantage of an agile, personalized experience focused on outcomes and driven by employees' unique needs.

Plan sponsors interested in adopting this provision can do so now or at a later date. When considering whether to adopt this provision, plan sponsors should review the following bullets to ensure they are prepared for implementation.

- Before adopting this provision, plan sponsors should reflect on several factors, including their current workforce, participation rates, and saving rates.
- Plan sponsors may want to evaluate this provision in light of how it relates to their existing benefits packages and consider whether offering this feature will have a meaningful impact on the attraction and retention of employees.
- We also encourage plan sponsors to begin to engage with their payroll provider and ERISA counsel to discuss plan design and testing considerations.

Vanguard and Candidly actions	Plan sponsor and payroll provider actions	Participant impact
<p><b>Vanguard</b> will designate a student loan match source for plan sponsors and notify Candidly of eligible participants.</p>	<p><b>Plan sponsors</b> interested in matching contributions for student loans should contact their client teams.</p>	<p><b>Eligible participants</b> will need to opt in to the Candidly student loan match program.</p>
<p><b>Candidly</b> will certify the student loan payments and inform plan sponsors and their payroll providers of the payment amounts. The student loan match contributions will be calculated using plan rules.</p>	<p><b>Plan sponsors and/or their payroll provider</b> will need to perform the student loan match calculation at year-end.</p>	<p><b>Participants</b> whose plans adopt this provision will receive materials detailing the new offer.</p>
<p><b>Vanguard</b> will process payments by updating the student loan match payments from the plan sponsor into the appropriate source.</p>	<p><b>Plan sponsors</b> should be sure to update their plan documents before the regulatory deadline of December 31, 2026.</p>	<p><b>Participants</b> may be able to earn matching contributions that were previously out of reach.</p>

# Frequently asked questions

## 1. Who is eligible for the matching contributions for student loans provision of SECURE 2.0?

All individuals eligible for their plan's traditional match are also eligible for the student loan match. Eligibility conditions between the two matching programs must be the same.

## 2. Are individuals who are eligible for, but not participating in or contributing to, their retirement plan also eligible to receive the student loan match?

Yes. All individuals eligible to participate in their retirement plan, along with the associated traditional matching program, are also eligible to receive matching contributions for student loans.

## 3. Under what circumstances with this provision can an employee get "credit" for student loan payments when calculating the employee's student loan match?

Employees should get credit for all qualifying student loan payments that are made during the period in which they are eligible to make match-eligible contributions to the plan, up to any limit defined by the plan for both traditional and student loan payment matches. This means that employees are eligible to receive credit for student loan payments made after their hire date and after becoming eligible for the retirement plan.

Employees are not eligible to receive credit for student loan payments made before their hire date, after their hire date but before becoming eligible to participate in the retirement plan, or after they are terminated or have retired.

## 4. Can the matching and vesting rules used for traditional contributions be different from those used for student loan payments?

No. The matching and vesting rules used for the match on student loan payments must be identical to those used for the match on traditional contributions.

## 5. Are student loan payments made by an employer or other third party eligible to receive the student loan match?

No. Only student loan payments made by the employee are eligible for matching contributions.

## 6. What other student loan services are available for plan sponsors to consider?

Plan sponsors can currently take advantage of several student loan debt services offered by Candidly. These services include core capabilities like automatic payments, a student loan dashboard, and the Federal Forgiveness Finder. Candidly also offers premium benefits such as employer contribution, tuition reimbursement, and expert coaching. Plan sponsors interested in learning more about these services should reach out to their client success executive.

## 7. Are clients for whom Vanguard calculates employer match eligible to adopt this provision?

No. In order to adopt the matching contributions for student loans provision, the match calculation must be done by the plan sponsor or payroll provider. Clients for whom Vanguard calculates the match are not eligible for this provision at this time, but this is currently being evaluated as a future enhancement.

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