

The Financial Wellness Imperative

How Student Loan Debt, Emergency Savings Deficits, Underutilized HSAs, and Rising College Costs Are Reshaping the American Workforce and What Employers Must Do Now.



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\$1.83T
in student loan debt

53%
of workforce **ARE**
Millennials or Gen Z

67%
of loan debt is held by
Millennial or Gen Z

59%
Can NOT cover a \$1,000
Emergency

\$4,868
Average HSA
Balance

7.7M
student loan
borrowers in default.

Section 01

Executive Summary

The American employer is now the last line of defense against a financial wellness crisis costing U.S. businesses hundreds of billions annually and the interventions required are well-documented, tax-advantaged, and available now.

In 2026, four converging financial pressures are reshaping the workforce in ways that directly impact employer operations, talent acquisition, and retention. Student loan debt has crossed **\$1.83 trillion**. Emergency savings have collapsed; only 41% of workers can cover a \$1,000 expense from savings. Health Savings Accounts, the most tax-efficient savings vehicle available, remain dramatically underutilized. College cost anxiety is pulling a new generation into the same debt spiral that currently burdens 42 million borrowers.

These pressures do not stay at the door when employees clock in. They manifest as absenteeism, distraction, disengagement, and voluntary turnover, costing U.S. employers an estimated **\$300 billion annually***. SHRM research confirms that employees earning \$75,000–\$100,000 report nearly identical levels of financial stress to those earning \$40,000. This is a structural problem, not a compensation problem, and it requires a structural solution.

This paper examines each driver of financial stress in depth, analyzes evidence for effective employer interventions, and presents a four-pillar framework for comprehensive financial wellness. The legislative window opened by the SECURE Act 2.0 and IRC §127 is currently favorable.

Organizations that move early will establish compounding advantages in the war for talent.

*American Institute of Stress, 2025

"Financial stress is not a personal problem employees bring to work. It is a structural business risk that demands the same strategic attention as any other operational challenge."

— PwC Employee Financial Wellness Survey, 2025

\$300B

Annual employer cost of financial stress in absenteeism, turnover & lost productivity

72%

Workers under 40 whose job performance is actively impaired by financial stress

3+ hrs

Per week that stressed employee spent on personal finances during work hours

67%

all student loan debt is held by Millennials and Gen Z

Section 02

The State of Financial Stress in America

A crisis that cuts across every industry, income level, and generation, costing employers hundreds of billions annually.

Prevalence and Universality. PwC's 2025 survey found 57% of employees say financial concerns have negatively affected their productivity at work, rising to 72% among workers under 40. The American Institute of Stress (AIS) places the aggregate employer cost at \$300 billion annually. SHRM's 2025 research confirms employees earning \$75,000–\$100,000 report financial stress levels nearly identical to those earning \$40,000. Salary increases alone do not alleviate financial stress when its root causes, student debt, thin reserves, and exposure to healthcare costs, remain unaddressed.

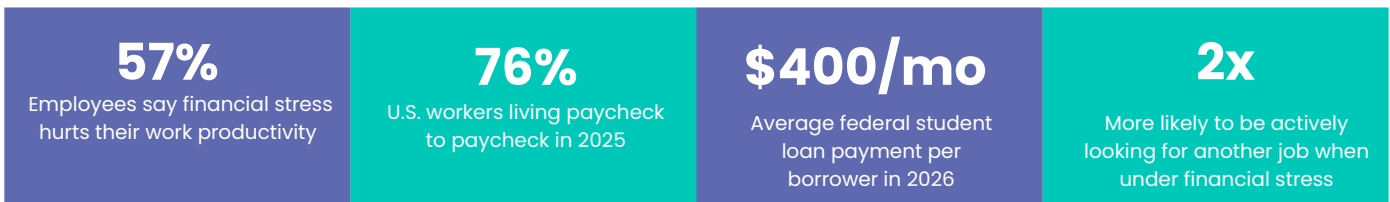
Why Traditional Benefits Are Falling Short

Health insurance, dental, and 401(k) matching remain table stakes, but they were designed for a workforce that didn't graduate with five or six-figure debt. Millennials and Gen Z now make up 53% of the U.S. labor force, and they entered their careers carrying a burden prior generations never faced. The average federal student loan payment is \$400 per month, a recurring obligation that competes directly with retirement savings, emergency funds, and any sense of financial stability.

When a benefits package ignores that reality, it isn't just incomplete. It's actively costing you.

The Hidden Productivity Tax

PwC found that financially stressed employees spend more than 3 hours per week at work managing their personal finances. For a 200-person organization, that's 31,000+ hours of lost productivity annually, the equivalent of 15 full-time employees gone, before you factor in absenteeism, disengagement, or turnover. Employers are already paying this tax. Most just don't see it on the invoice.



Sources: PwC Employee Financial Wellness Survey, 2025; American Institute of Stress, 2025; SHRM Employee Benefits Survey, 2025; LendingClub/PYMNTS Report, 2025

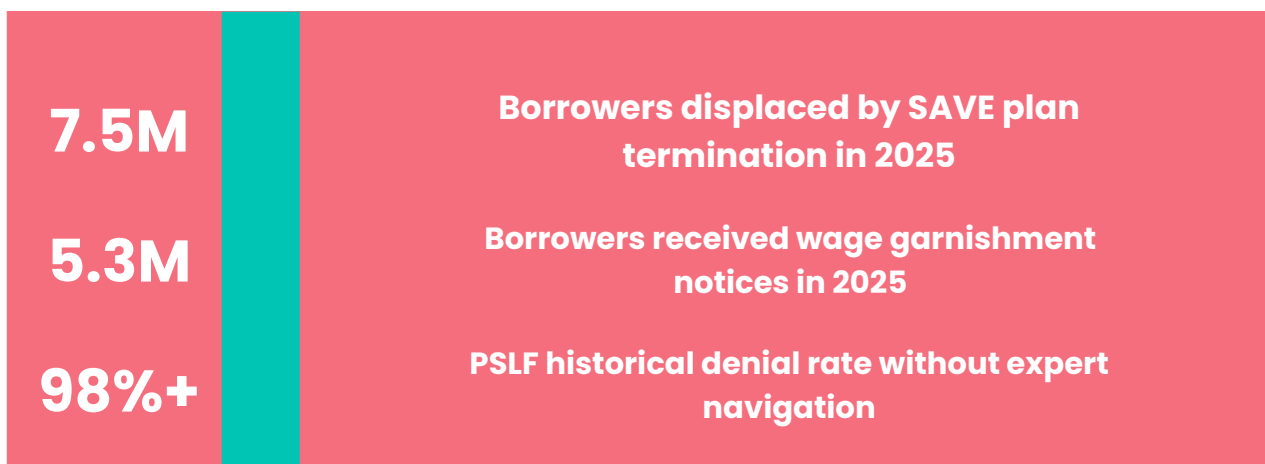
Section 03

The Student Loan Crisis: Scale, Policy Shifts & Employer Impact

\$1.83 trillion outstanding. A 2025 policy environment that measurably worsened for more than 12 million borrowers.

Scope and Structural Nature.

At \$1.83 trillion, student loan debt now exceeds the combined total of auto and credit card debt, ranking second only to mortgage debt among U.S. consumer liabilities. Its defining characteristic is structural permanence: student loans cannot be discharged in bankruptcy under most circumstances, creating a non-negotiable financial obligation that shapes career choices, living decisions, and family timelines for decades. For employers, this means the debt does not self-resolve; it sits in the workforce indefinitely unless actively addressed.



SAVE Plan Blocked By Court Injunction (2025): The Saving on a Valuable Education income-driven repayment plan effectively ended in 2025 following court injunctions and a July 2025 legislative settlement that displaced 7.5 million enrolled borrowers.

Federal Wage Garnishment Notices (2025): After a multi-year pandemic pause, the Department of Education sent mandatory wage garnishment notices to approximately 5.3 million defaulted borrowers throughout the summer and fall of 2025. For those borrowers, up to 15% of their disposable pay is now at risk of seizure without a court order, without warning beyond the notice itself, and with no path out unless they enroll in a qualifying repayment plan or rehabilitation program. For HR and payroll teams, this is no longer a personal finance issue happening outside the office. It arrives as a garnishment order that requires mandatory payroll system adjustments, triggers immediate financial hardship for employees, and creates a dramatically elevated turnover risk, all at the same time, potentially affecting multiple employees.

PSLF Complexity: Public Service Loan Forgiveness (PSLF) remains available to qualifying government and nonprofit employees, but it has a well-documented history of denials. Prior to 2019 reforms, the GAO found that 99% of PSLF applications were rejected due to wrong repayment plans, ineligible loan types, and paperwork errors. While reforms have improved approval rates, the program remains highly complex: borrowers must maintain qualifying employment, use eligible loan types, adhere to an approved repayment plan, and maintain accurate payment tracking simultaneously over 10 years. Without expert guidance, many eligible borrowers never reach forgiveness.

■ Wage Garnishment Is Now an Employer Operations Issue

The Cost of Doing Nothing: The average cost to replace an employee is 50–200% of their annual salary. A single garnishment-triggered resignation among a \$60,000 employee costs the organization \$22,000–\$45,000 in recruiting, onboarding, and productivity ramp time alone — multiples of what a proactive student loan benefit would have cost over the employee’s entire tenure. Default is not a borrower problem. It is an organizational budget line that simply hasn’t been labeled yet.

Generational Impact Across Your Workforce. Gen Z accounts for 28% of student loan borrowers, with an average balance of \$22,948, and 72% of Gen Z borrowers have made employment decisions based on their student loan debt. Millennials account for the largest share of borrowers and are simultaneously delaying home purchases, family formation, and retirement savings, with 53% having postponed major financial decisions due to student loans. Gen X carries the highest average balance of any generation at \$44,240, competing directly with peak-earning retirement savings and college costs for their own children. Borrowers age 50 and older now hold 26% of all outstanding student debt, and 30% of those borrowers have saved less for retirement than peers without debt, making this a crisis that reaches every corner of your workforce.

Sources: Education Data Initiative, Student Loan Debt by Generation, 2024; Empower Student Loan Payments Pulse Report, June 2025; Self Financial Debt by Generation Analysis, 2025; U.S. Department of Education Federal Student Aid Office / PLANADVISER, Q1 2025; Fidelity Investments Workplace Research, October 2025.

SECURE Act 2.0: A Historic Legislative Opportunity

SECURE 2.0 sent a clear signal: Congress formally recognized that student debt and retirement savings are the same problem. The 2024 provision allowing 401(k) matching triggered by student loan payments was a policy acknowledgment that millions of employees cannot do both simultaneously. But the more immediate and underleveraged opportunity is §127, which allows employers to provide up to \$5,250 per employee annually in completely tax-free student loan repayment assistance. No payroll tax. No income tax. Fully deductible. It has been extended, it is available now, and most employers have never touched it.

Thrive Makes §127 Work for You

Thrive operationalizes §127 with minimal HR overhead, no new systems, no administrative burden, no compliance guesswork. For employees, it means real, monthly relief from debt that competes with every other financial priority in their lives. For employers, it converts a dormant tax provision into a powerful retention tool, a recruitment differentiator, and a direct answer to the hidden productivity tax already draining organizational performance. The framework exists. The tax advantage is real. The workforce need has never been greater.

Section 04

Health Savings Accounts: America's Most Underutilized Financial Tool

Building a Medical Expense Safety Net — For Today and Retirement

Most employees treat their HSA as a healthcare spending account, a place to park money for this year's copays and deductibles. That's understandable, but it leaves one of the most powerful financial tools in the American benefits landscape almost entirely unused. The average HSA balance is \$4,868. The average couple needs \$351,000 to cover healthcare costs in retirement. That gap doesn't close without deliberate, consistent funding, and most employees cannot get there alone.

Thrive's HSA option helps employers bridge that gap. By making direct contributions to employee Health Savings Accounts, employers give their workforce a running start on the medical expenses that will define their retirement years. Once funds are inside the HSA, the account delivers genuine long-term value: investment growth is tax-free, qualified medical withdrawals are tax-free, and after age 65 funds can be used for any purpose — functioning as a second retirement account with no required minimum distributions. Employer contributions are fully deductible as a business expense, and employees can recapture income tax on their own contributions at filing. The funding itself is the benefit. The tax advantages are the bonus.

**Fund It.
Grow It.
Use It Tax-Free.**

Every dollar in an HSA works harder than any dollar elsewhere. Employee contributions are deducted on your personal tax return, reducing federal taxable income. Investments grow completely free of tax drag, no capital gains, no dividends taxed along the way. Medical withdrawals are never taxed, at any age. After 65, funds can be used for anything, taxed only as ordinary income, and unlike a 401(k), there are never required minimum distributions forcing withdrawals before you're ready.

EMPLOYER BENEFIT

The Funding Gap Is the Opportunity

The average HSA balance is \$4,868. The retirement healthcare need is \$351,000. That \$346,000 gap doesn't close without employer support, and most employees have neither the income nor the awareness to close it on their own. Employer HSA contributions through Thrive are a direct, low-friction way to start closing that gap, with a fully deductible cost and minimum administrative burden on HR.

Section 05

Emergency Savings: The Financial Floor

59% of Americans don't have enough savings to cover an unexpected \$1,000 emergency expense. The remainder must be borrowed, typically at high interest rates, creating a cycle of financial fragility with direct, measurable consequences for employers. Employees with less than \$500 in liquid savings miss an average of 2x more workdays annually and are 3x more likely to take on predatory high-interest debt. Both outcomes directly impact organizational productivity, absenteeism rates, and the downstream cost of turnover. Employer-funded emergency accounts provide the financial floor without which all other wellness investments are repeatedly undermined by financial shocks.

Bankrate, 2026

59%

Of Americans can not cover a \$1,000 emergency from personal savings (Bankrate 2026)

76%

Of U.S. workers living paycheck to paycheck in 2025

40%

employees missed work in the past 6 months due to financial stress

55%

say lack of emergency savings directly hurt their work productivity

SecureSave, 2025

Section 06

529 College Savings: Breaking the Generational Debt Cycle

Today’s \$1.83 trillion in student debt was built, loan by loan, over decades of rising tuition and inadequate savings infrastructure. Today’s employees with student debt are tomorrow’s parents, watching their children enter the same system. 70% of parents are worried about college costs, making 529 savings one of the highest-impact financial wellness benefits available.

The SECURE 2.0 Act changed the calculus entirely. Unused 529 funds can now roll over into a Roth IRA (up to \$35,000 lifetime, after a 15-year holding period), eliminating the “trapped money” objection that historically suppressed 529 enrollment. For the first time, there is no meaningful downside risk to 529 participation, making employer-sponsored 529 programs categorically more attractive than in any prior period.

Discover Student Loans, 2024

529 College Savings: A Benefit the Whole Family Feels

- Tax-free investment growth on all contributions when used for qualified education expenses
- State income tax deductions or credits are available in 36 states (rules vary by state regarding in-state vs. out-of-state plan eligibility.)
- Roth IRA rollover pathway available for unused funds up to \$35,000 lifetime (SECURE 2.0, account must be 15+ years old)
- No income limits – available to all employees regardless of earnings
- The beneficiary can be changed to any family member at any time without a tax penalty
- Employer contributions are fully deductible as an ordinary business expense

Federal Reserve Survey of Consumer Finances, 2024; EBRI HSA Survey, 2025; IRS Publication 969; College Board Trends in College Pricing, 2025; IRS Notice 2024-02.



Section 07 — Framework for Employer Action

A Four-Pillar Model for Comprehensive Financial Wellness

One flexible employer budget. Four evidence-based pillars. Every financial priority in your multi-generational workforce is addressed simultaneously.

The most consequential insight from financial wellness research is that different employees have radically different financial priorities, and a one-size-fits-all approach leaves most of the workforce underserved. A Gen Z hire's most urgent need is student loan relief. A 45-year-old parent's priority is 529 savings. A 55-year-old executive needs to maximize HSA contributions. A single parent's first need is an emergency fund. One flexible budget that employees direct toward their own highest-priority account delivers maximum value to every employee at no additional employer cost.

PILLAR 1

Student Loan Repayment

The most-demanded benefit among employees under 40. Through Thrive, employers can contribute directly to employees' student loan balances under IRC §127, up to \$5,250 annually, with the contribution completely tax-free to both the employer and the employee. No payroll tax. No income tax. Fully deductible as a business expense. For employees carrying \$400/month in loan payments, the benefit changes everything.

PILLAR 2

Health Savings Account

Most employees treat their HSAs as spending accounts for this year's copays, never as the retirement tool they truly are. Once funded, HSA dollars grow tax-free; medical withdrawals are never taxed; and after age 65, the account functions as a second retirement fund with no required minimum distributions. The average HSA balance is \$4,868. The retirement healthcare need is \$351,000. Thrive helps close that gap.

PILLAR 3

529 College Savings

Employer-sponsored 529 programs deliver tax-free growth, state income tax deductions in 36 states, and no income limits, making them cost-efficient for employers and genuinely valuable for employees. The SECURE 2.0 Roth IRA rollover provision eliminates the biggest objection to enrollment: fear of unused funds. With 70% of parents worried about financing college costs and average annual expenses now topping \$30,000, a 529 benefit addresses the financial pressure that follows employees every single day.

PILLAR 4

Emergency Savings

59% of Americans cannot cover a \$1,000 unexpected expense, and that stress doesn't stay home. Employees without a financial cushion miss more work, make worse decisions, and are far more likely to raid their retirement accounts or take on high-interest debt, which compounds the crisis. Every other financial wellness benefit an employer offers is undermined the moment an unexpected \$400 car repair derails the entire plan. The ESA is the financial floor that makes everything else work.



Section 08

The Business Case: ROI, Tax Economics & Turnover Prevention

Financial wellness programs are investments with quantifiable, measurable returns — not cost centers.

The business case becomes compelling when the true cost of inaction is fully calculated. Most organizations significantly underestimate turnover costs by omitting productivity ramp time, manager distraction, and institutional knowledge loss. What appears on the balance sheet as a single resignation is actually a cascade of costs: the job posting, the interviews, the offer process, the onboarding, the six-month productivity ramp, and the institutional knowledge that walks out the door and never fully returns. SHRM estimates U.S. businesses lose \$1 trillion annually to voluntary turnover alone. For financially stressed employees who are 2x more likely to be actively job searching, that cost is not theoretical. It is recurring, predictable, and entirely addressable. The fully loaded cost of replacing a single employee ranges from 50%–200% of annual salary:

Cost Component	\$60K Employee	\$85K Employee	\$120K Employee
Recruiting & advertising	\$4,500–\$9K	\$6,000–\$12K	\$8,000–\$18K
Onboarding & training	\$3,000–\$6K	\$5,000–\$10K	\$8,000–\$18K
Productivity ramp (6 mo.)	\$15K–\$30K	\$21K–\$42K	\$30K–\$60K
Total replacement cost	\$22K–\$45K	\$32K–\$64K	\$46K–\$96K
Thrive platform: annual cost/employee	~\$84/yr	~\$84/yr	~\$84/yr

Employer benefit contributions average \$100/month per employee and are reallocated from existing 401(k) match budget, requiring no new budget approval.

A single prevented departure at the \$60K level saves a minimum of \$22,000, a 260x return on annual platform costs. An organization of 150 employees that reduces financially-driven turnover by even 5% generates a first-year ROI consistently exceeding 10:1.

IRC §127 TAX ECONOMICS

Up to \$5,250/yr Per Employee — 100% Tax-Free

Employer contributions to student loans up to \$5,250/yr are: (1) deductible as a business expense, (2) exempt from 7.65% FICA payroll taxes for both employer and employee, and (3) fully excluded from employee taxable income. At \$100/month per employee, payroll tax savings alone frequently offset the majority of platform cost, making the program largely self-funding through tax economics.

7.65%

FICA payroll tax savings on every §127 contribution dollar for employer and employee

260x

Preventing a single \$60K employee turnover event delivers a 260x return on the annual platform cost.

\$5,250

Maximum annual tax-free employer contribution per employee under IRC §127

SHRM Human Capital Benchmarking Report, 2025; PwC Saratoga Workforce Report, 2025; IRC §127; IRS Publication 15-B; EBRI, 2025.

Section 09

Conclusions and Strategic Recommendations for Employers

The evidence is unambiguous. The tools exist. The legislative window is open. The question is how quickly your organization moves relative to competitors

- **The Case for Acting Now.** Financial stress is structural, universal, and immune to salary increases alone. Benefits packages that fail to address debt, thin savings, and exposure to healthcare costs will continue to produce the turnover, absenteeism, and disengagement documented throughout this paper. The framework to solve it exists today, and the cost of inaction is already appearing on your balance sheet as the hidden productivity tax.
- **The workforce has permanently shifted.** Millennials and Gen Z now constitute 53% of the U.S. labor force and entered careers carrying debt loads that prior generations never faced. Employers who fail to address student loan debt and emergency savings gaps face recruiting and retention disadvantages that compound year over year. These are not transitional trends — they are permanent features of the modern workforce.
- **The legislative window is open.** IRC §127's \$5,250 tax-free threshold, SECURE 2.0's 529-to-Roth IRA rollover, and expanded employer contribution options collectively represent the most favorable regulatory environment for financial wellness investment in decades. The tax advantages are real, available now, and underutilized by the vast majority of employers.
- **First movers win.** Only 14% of employers currently offer student loan assistance, yet 86% of employees say they would commit to their employer for five years if offered repayment support. Another 18% of employers are already planning to add it, which means the window for differentiation is closing fast. The organizations that move first build loyalty, culture, and employer brand advantages that cannot be purchased later simply by matching a competitor's benefits package. And the financial case is unambiguous: preventing a single \$60,000 employee turnover event yields a 260x return on the platform's annual cost. The math is not complicated. The decision should not be either.

PwC Employee Financial Wellness Survey, 2025; American Institute of Stress, 2025; Bureau of Labor Statistics, 2025; IRC §127 / IRS Publication 15-B; SECURE 2.0 Act; International Foundation of Employee Benefit Plans, Education Benefits Survey, 2024; American Student Assistance Survey; SHRM Human Capital Benchmarking Report, 2025

Strategic Recommendations

STEP 1	<p>Audit Your Workforce's Actual Financial Reality</p> <p>Survey employees to quantify the real prevalence of student loan debt, emergency savings deficits, and HSA underutilization within your specific organization. Most HR leaders significantly underestimate financial stress in their own workforce. Data-driven program design produces dramatically better utilization outcomes and stronger internal ROI cases for continued investment.</p>
STEP 2	<p>Implement the Four-Pillar Model with Flexible Allocation</p> <p>Deploy a platform addressing all four pillars: student loan repayment, HSA optimization, 529 savings, and emergency savings, with a single employer budget that employees direct toward their own highest-priority need. This approach maximizes value across a multi-generational workforce without increasing total employer spend.</p>
STEP 3	<p>Pair Benefits with Expert Guidance and Financial Education</p> <p>Access to benefits without education produces poor utilization and weak outcomes. Employees who don't understand HSA's retirement wealth-building potential won't maximize it. Borrowers who don't know their IDR or PSLF options will default on manageable loans. Expert 1:1 loan advisory and regular financial wellness education sessions are essential program components that drive measurable impact.</p>
STEP 4	<p>Measure Baseline Metrics and Track ROI from Launch</p> <p>Establish turnover rates, absenteeism frequency, and employee financial stress scores before program launch. Organizations with holistic wellness programs report up to 26% lower voluntary turnover and 21% higher employee engagement scores. Measured programs are significantly easier to fund, expand, and defend to leadership.</p>

The Bottom Line

Your employees are already paying a financial wellness tax in distraction, in turnover, in garnishment orders landing on HR's desk, in retirement accounts raided for emergencies that a \$500 savings cushion would have prevented. They are not asking for a raise. They are asking for a benefit that treats their actual financial lives seriously.

Thrive exists because the gap between what traditional benefits offer and what the modern workforce actually needs has never been wider, and because, for the first time, the legislative framework, the technology, and the ROI case all point in the same direction.

The employers who act first will not just reduce costs. They will become the places people choose to build their careers.

Ready to Build a Financial Wellness Program for Your Organization?

Schedule a consultation · Request a customized ROI analysis ·
Access co-branded employer materials

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