



**\$1.67
Trillion**

Estimated total of
student loan debt
in America

From Brethren Pension Plan

Pension Perspective

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Student loan debt affects people of all ages

Student loan debt is no longer a young person’s problem. It affects people of all ages, regardless of the borrower’s occupation, and it has soared during the pandemic. Some 44 million Americans now owe an estimated \$1.67 trillion in student loan repayments. One of its most profound effects is its impact on retirement planning.

According to research sponsored by TIAA and conducted by the MIT AgeLab, “A large majority of American adults (84%) report that student loans are negatively impacting the amount they are able to save for retirement. 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.”

Parents and grandparents are also being pulled into this spiral of debt, some because they are still carrying debt from their own student days as many as 25 years ago; others because they are taking out new loans for their children and grandchildren.

Fidelity Investments studied which occupations have higher amounts of debt, meaning higher monthly payments. “The industry with the highest loan balance, for example, is the private health and social assistance sector, which has an average balance of \$83,000, up from \$75,000 in 2019. That outstanding debt results in an average monthly loan payment of \$801, up from \$685 a year prior.”

Because many people are carrying their student loans much longer and incurring additional debt for their children’s education, when they begin approaching retirement, they have less money and must depend more on Social Security, which was only intended to be a small portion of a person’s retirement savings. The pervasiveness of student debt means that young adults cannot begin to invest early and take advantage of the compounding interest that could build their retirement balance over the course of 40-plus years, while older parents and grandparents cannot contribute as much to the retirement account. This pervasive problem drives home the idea that even a small amount of regular savings for retirement is important, especially if it can start early. ■

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Dealing with student loan debt while preparing for retirement

Even if the following suggestions do not pertain to your situation, you probably know someone who is struggling to get out from under student loan debt while looking ahead to retirement.

Develop a two-pronged strategy. You have to pay down your loans and you have to build up your retirement. So, create a program where you do some of both each month.

Exercise the financial prudence you should already be practicing. Comb your budget to find ways to reduce your expenditures and put some of the money you save against your debt and some into your retirement fund.

Don’t spend a raise or bonus. When you receive a raise or bonus, put it toward your retirement.

Know your pension plan. No matter what kind of retirement plan you have, educate yourself on its investment options, and the tools and services available to help you align your investment strategy with your specific situation.

Consider debt consolidation. But proceed carefully. A Direct Consolidation Loan allows you to consolidate (combine) multiple federal education loans into one loan. The result is a single monthly payment instead of multiple payments.

Loan consolidation can also give you access to additional loan repayment plans and forgiveness programs.

Think about this — Just to give you an idea of how putting aside a small amount every month can reap significant rewards, consider this:

- Just \$50 invested each month starting when you are 25 and continuing until you are 65, will turn \$24,000 into \$101,187 at retirement age (based on a 6% return).
- \$100 per month invested the same way will grow to \$201,277 by the time you are 65.*

A retirement planning adviser will tell you these figures are far too small. That is because one rule of thumb is that you should have 11 times your final salary in your retirement account when you retire. But the point of these figures is to say that at a time when other commitments like student loan payments are keeping you from thinking about your retirement, finding even small amounts to put aside will pay big dividends in the future. ■

* Calculations were made on [nerdwallet](https://nerdwallet.com) with a \$100 initial balance.

Funds (Net of Investment Manager Fees)
Benchmarks (Gross)

| For the period ending January 31, 2022 | YTD | 3 Months | 1 Year | 3 Years | 5 Years | 10 Years |
|---|----------|----------|----------|----------|----------|----------|
| TARGET DATE FUNDS | % | % | % | % | % | % |
| Target Date Fund 2015 | -3.9 | -3.3 | 2.1 | 5.5 | 4.8 | — |
| Blended Index | -3.6 | -2.9 | 0.4 | 6.6 | 5.4 | — |
| Target Date Fund 2025 | -4.3 | -3.5 | 3.1 | 6.4 | 5.7 | — |
| Blended Index | -3.8 | -3.0 | 1.7 | 7.5 | 6.2 | — |
| Target Date Fund 2035 | -5.2 | -4.2 | 5.4 | 8.2 | 7.0 | — |
| Blended Index | -4.5 | -3.4 | 4.1 | 9.1 | 7.5 | — |
| Target Date Fund 2045 | -5.5 | -4.3 | 7.3 | 9.9 | 8.3 | — |
| Blended Index | -4.8 | -3.6 | 6.1 | 10.5 | 8.7 | — |
| Target Date Fund 2055 | -5.5 | -4.3 | 8.9 | 11.5 | 9.5 | — |
| Blended Index | -4.8 | -3.6 | 7.9 | 11.8 | 9.8 | — |
| BRETHREN VALUES INVESTING ¹ | % | % | % | % | % | % |
| BVI Balanced Fund | -5.0 | -3.5 | 7.9 | 13.2 | 10.2 | — |
| Blended Balanced Index | -4.1 | -1.9 | 12.2 | 14.3 | 11.6 | — |
| BVI Index Balanced Fund | -4.0 | -1.8 | 11.9 | 14.7 | — | — |
| Blended Balanced Index | -4.1 | -1.9 | 12.2 | 14.3 | — | — |
| Common Stock Fund | -6.7 | -4.4 | 15.6 | 18.1 | 13.9 | 12.4 |
| S&P 500 Index | -5.2 | -1.6 | 23.3 | 20.7 | 16.8 | 15.4 |
| BVI Domestic Stock Large Cap Core Index Fund | -5.1 | -1.5 | 22.7 | 20.5 | 16.7 | — |
| S&P 500 Index | -5.2 | -1.6 | 23.3 | 20.7 | 16.8 | — |
| Domestic Stock Growth Fund | -7.7 | -5.9 | 18.3 | 21.6 | 17.5 | 14.7 |
| Russell 1000 Growth Index | -8.6 | -6.1 | 17.5 | 26.4 | 22.3 | 18.0 |
| Domestic Stock Mid Cap Fund | -6.0 | -0.9 | 20.2 | 16.2 | 9.5 | 11.9 |
| Russell Midcap Index | -7.4 | -6.9 | 13.9 | 16.1 | 12.8 | 13.4 |
| Small Cap Fund | -8.5 | -7.1 | 8.8 | 20.0 | 18.8 | 16.0 |
| Russell 2000 Index | -9.6 | -11.5 | -1.2 | 12.0 | 9.7 | 11.3 |
| International Stock Core Fund | -7.7 | -10.7 | -2.6 | 10.7 | 8.6 | 7.0 |
| MSCI EAFE Index | -4.8 | -4.6 | 7.0 | 9.3 | 7.9 | 6.9 |
| Treasury-Free Bond Fund | -2.5 | -2.4 | -3.3 | 4.7 | 3.8 | 3.3 |
| Bloomberg Barclays U.S. Government / Credit Bond Index | -2.4 | -2.3 | -3.1 | 4.2 | 3.4 | 2.8 |
| Short-Term Fund | -0.1 | -0.2 | -0.2 | 0.9 | 1.1 | 0.9 |
| ICE BofAML 6-Month Treasury Bill Index | 0.0 | 0.0 | 0.0 | 1.1 | 1.3 | 0.8 |
| Community Development Investment Fund | -0.8 | -0.8 | -0.9 | 0.5 | 0.9 | 1.4 |
| No Benchmark | — | — | — | — | — | — |
| INDEX FUNDS (NON-BVI) | % | % | % | % | % | % |
| Balanced Index Fund | -5.6 | -4.1 | 7.7 | — | — | — |
| 60% CRSP US Total Market Index and 40% Bloomberg Barclays U.S. Aggregate Float Adjusted Index | -4.5 | -3.1 | 9.7 | — | — | — |
| Domestic Stock Large Cap Core Index Fund | -7.2 | -3.3 | 18.5 | — | — | — |
| S&P 500 | -5.2 | -1.6 | 23.3 | — | — | — |
| Domestic Stock Mid Cap Index Fund | -10.2 | -8.9 | 10.7 | — | — | — |
| CRSP Mid-Cap Index | -7.9 | -6.7 | 15.4 | — | — | — |
| Domestic Stock Small Cap Index Fund | -10.2 | -11.1 | 1.2 | — | — | — |
| CRSP US Small-Cap Index | -7.9 | -8.8 | 6.1 | — | — | — |
| International Stock Core Index Fund | -5.2 | -6.5 | 4.0 | — | — | — |
| FTSE Developed All Cap ex US Index | -5.0 | -5.0 | 7.0 | — | — | — |
| Emerging Markets Stock Index Fund | -2.0 | -4.4 | -6.0 | — | — | — |
| FTSE Emerging Markets All Cap China A Inclusion Index | -1.0 | -2.6 | -2.5 | — | — | — |
| Total Bond Market Index Fund | -2.0 | -2.0 | -3.1 | — | — | — |
| Bloomberg Barclays U.S. Aggregate Float Adjusted Index | -2.2 | -2.2 | -3.0 | — | — | — |
| GENERAL (NON-BVI) | % | % | % | % | % | % |
| Balanced Fund | -4.9 | -3.4 | 7.9 | 13.3 | 10.2 | 9.0 |
| Blended Balanced Index | -4.1 | -1.9 | 12.2 | 14.3 | 11.6 | 10.4 |
| Emerging Markets Stock Fund | -2.2 | -7.3 | -1.0 | 2.4 | 4.7 | 2.4 |
| MSCI Emerging Markets Index | -1.9 | -4.1 | -7.2 | 7.2 | 8.3 | 4.2 |
| Bond Fund | -2.3 | -2.2 | -3.1 | 4.6 | 3.7 | 3.3 |
| Bloomberg Barclays U.S. Government/Credit Bond Index | -2.4 | -2.3 | -3.1 | 4.2 | 3.4 | 2.8 |
| Treasury Inflation-Protected Securities Fund | -2.3 | -1.3 | 3.0 | 7.2 | 4.6 | 2.6 |
| Bloomberg Barclays U.S. Treasury Inflation-Linked Bond Index | -2.0 | -0.8 | 3.5 | 7.2 | 4.7 | 2.6 |
| Bank Loans Fund | 0.0 | 0.3 | 3.1 | 4.0 | 3.7 | — |
| S&P / LSTA U.S. Leveraged Loan 100 Index | 0.1 | 0.5 | 2.6 | 4.4 | 3.8 | — |
| High Yield Bond Fund | -0.7 | -0.2 | 4.4 | 7.2 | 5.3 | 6.1 |
| Bloomberg Barclays U.S. Corporate High Yield Bond Index | -2.7 | -1.9 | 2.1 | 6.3 | 5.4 | 6.2 |
| Global Aggregate Fixed Income Fund | -0.6 | -0.6 | -4.4 | -3.3 | -0.9 | — |
| Bloomberg Barclays Global Aggregate Index | -2.0 | -2.5 | -5.8 | 2.4 | 2.7 | — |
| ALTERNATIVES (NON-BVI) | % | % | % | % | % | % |
| Global Inflation Protection Fund | -2.0 | -1.1 | 10.5 | 9.9 | 9.8 | — |
| Bloomberg Barclays U.S. TIPS 1-10 Year Index +2% | -1.0 | 0.0 | 5.8 | 8.3 | 6.1 | — |
| Multi-Strategy Hedge Fund | -2.2 | -1.6 | 9.2 | 7.1 | 5.6 | — |
| 60% S&P 500 Index / 40% Bloomberg Barclays U.S. Aggregate Bond Index | -4.0 | -1.8 | 12.3 | 14.0 | 11.4 | — |
| Public Real Estate Fund | -6.8 | -5.3 | 15.6 | 7.6 | 7.5 | 6.9 |
| S&P Developed Property Index | -5.8 | -1.8 | 20.2 | 7.5 | 7.7 | 8.6 |
| Commodities-Based Fund | 6.4 | 2.2 | 36.7 | 14.4 | 7.1 | -1.9 |
| Bloomberg Commodity Total Return Index | 8.8 | 4.4 | 34.7 | 11.0 | 5.4 | -2.3 |
| U.S. INFLATION | % | % | % | % | % | % |
| Consumer Price Index ² (December 2021) | 0.3 | 1.6 | 7.0 | 3.5 | 2.9 | 2.1 |

¹ Brethren Values Investing (BVI) assets under management are invested in a manner that is consistent with the positions of the Church of the Brethren as expressed in Annual Conference statements. ² Most recent data available. CPI data are from the Consumer Price Index for all Urban Consumers; all items are not seasonally weighted.