Higher Education Loan Payment and Enhanced Retirement (HELPER) Act – S. 2962

Good for Education

- **Allows persons to take, tax and penalty free, up to $5,250 from their 401(k) or IRA annually to pay for college or to pay back student loan debt.**
  - Currently, workers must make student loan payments with after-tax money. This will enable them to make their payments tax free.
- **Can be used to pay tuitions and expenses for a spouse or dependent.**
  - This could dramatically change how American families save for college. If two parents and their college-bound child each put aside the maximum amount of $5,250 per year, that would make a total of $15,750 pre-tax dollars per year available to pay for college.
- **Allows employer-sponsored student loan and tuition payment plans to be tax free up to $5,250.**
  - Some research suggests this is the top asked-for benefit that new graduates are seeking from employers.
- **Repeals the cap (and phase out) on student loan interest deduction.**
  - Student loans don't disappear when you move along in your career and earn more money. Moreover, capping and phasing out the deduction on student loan interest can have the effect of creating a tax penalty and thus be a disincentive for workers to take higher-paying jobs.

Good for Retirement

- **U.S. bonds are currently paying less than 2%, while the federal government charges nearly 5% interest on an undergraduate student loan and up to 7% on a graduate loan.**

Bond vs Student Loan Payment	
$5,250 to Spend in a Year	
Invest in U.S Bonds @ 2%	$105
Pay Student Loan @ 5%	$268
Difference	$163

  - Choosing to invest $5,250 in student loan repayment through a 401(k) instead of U.S. Bonds is $163 more advantageous to workers.
  - Ninety-five percent of the student loan payment goes to principal, meaning the loan will be paid off faster.
  - Because of student loan debt/repayment, workers are often not fully contributing to their 401(k)s in the first place. The Paul bill changes the incentive to invest, since that money can be used to pay down burdensome debt. And the quicker student loan debt is paid down, the sooner workers can focus on retirement savings.
- **Allows workers the ability to take employer contributions as Roth Contributions.**
  - Currently, a worker can elect to pay taxes on their 401(k) contribution today (Roth) in exchange for not paying taxes on that money in retirement, including on any gains. This is a huge benefit to younger workers, who have 30, 40, or even 50 years of potential retirement gains. Plus, in retirement, they have more money at their disposal since less of their retirement is taxed.
  - Unfortunately, if one's employer contributes to a 401(k) on a worker's behalf, that money currently goes in as tax deferred, meaning that money and its gains will be taxed in retirement.
  - **The HELPER Act** changes that by allowing workers the choice to take employer contributions as Roth contributions, which will ensure all workers, but especially younger workers, have a more sound retirement.