Bill enables 401(k) match for doctors paying off student loans

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Brendan Murphy
Senior News Writer

Editor's note: *The Senate Finance Committee in June approved S. 1443, the "Retirement Parity for Student Loans Act."*

"Medical students come from all walks of life, and many accumulate debt every year as a student and post-graduate," AMA President Jack Resneck Jr., MD, said in a statement. "We know that many rural and underserved areas are desperate for young physicians, and shouldering a mountain of debt threatens their ability to serve in those areas. This legislation would increase health care access for all Americans, and we look forward to working with Congress to move it forward."

Paying down medical student-loan debt and saving for retirement are often competing priorities for residents, fellows and young physicians. AMA-supported bipartisan legislation that passed the U.S. House of Representatives, however, aims to help people squeezed between paying off student loans and saving for their golden years.

Under provisions in the "Securing a Strong Retirement Act" (H.R. 2954), graduates who cannot afford to contribute to their employer-sponsored retirement plan would no longer be forced to forego the important employer match for retirement contributions. The bill, passed by an overwhelming 414–5 margin in the House, has moved to the Senate.

How the bill would help

The "Securing a Strong Retirement Act" permits retirement plans such as employer-sponsored 401(k) plans to make matching contributions to workers as if their student-loan payments were retirement-plan contributions. Qualified student-loan payments are broadly defined under the legislation as any indebtedness incurred by the employee solely to pay qualified higher education expenses of the employee.

According to the Association of American Medical Colleges, 73% of medical students graduated with an average of about $200,000 in student-loan debt, meaning that paying down that debt is often the top financial priority for younger physicians. This can be particularly burdensome during residency training, when salaries are considerably lower than those of physicians who have completed their graduate-level training.

The bill has been a priority for the AMA during this legislative session.

“The cost of medical school is high and will continue to climb, and that can have ramifications in all different facets of life and career,” said Christopher Sherin, the AMA's assistant director of congressional affairs. “This is just one of those opportunities that we thought was advantageous to our membership, particularly on the younger membership side.”

AMA Executive Vice President and CEO James L. Madara, MD, has written to Democrat Danny Davis and Republican Darin LaHood, both of Illinois, in support of their “Retirement Parity for Student Loans Act,” whose provisions described above were incorporated into H.R. 2954. “The AMA is dedicated to identifying long-term strategies to mitigate the debt burden of medical students and believes the ‘Retirement Parity for Student Loans Act’ is a positive step toward ensuring the financial solvency and the well-being of our young professionals and any individual that must take on student debt,” Dr. Madara wrote last year (PDF).

In his letter, Dr. Madara noted research finding “that student debtors save significantly less for retirement than nondebtors by age 30 and that this gap continues to grow over the student debtors’ lifetime.”

An additional letter of support was also sent to Oregon Democrat Ron Wyden, chair of the Senate Finance Committee and sponsor of the Senate companion bill, S. 1443, the “Retirement Parity for Student Loans Act.”

Learn with the AMA about what to do when federal student-loan forgiveness goes wrong.

Targeted approach

While discussion about whether, or how much, student-loan debt can be forgiven has taken on a heavily partisan tone, this measure has bipartisan appeal, Sherin said.

H.R. 2594 “is designed to provide some real, targeted benefits in a little more of an understated way, which can only help in terms of trying to advance legislation,” he said.

AMA support of the “Securing a Strong Retirement Act” stems from AMA policy “to identify long-term strategies to mitigate the debt burden of medical students, and monitor the short-and long-term impact of the economic environment on the availability of institutional and external sources of financial aid for medical students, as well as on choice of specialty and practice location.”

The AMA’s effort to advocate for legislation will now move to the Senate, which has until December to send the measure to President Biden’s desk.

“Negotiations have been positive in the Senate, with AMA weighing in with Chairman Wyden in support of this provision,” said Lindsey Brill, also an assistant director of congressional affairs for the AMA, covering Senate Democratic leadership. “We are hopeful the legislation remains free of any controversial additions and will pass this year, making a meaningful difference in medical students’ ability to save for a secure retirement.”

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