

## Now means **NOW!**

Many 401(k) plan participants aren't waiting for the wiz to show up at the office



### Synopsis

Until recently, plan sponsors have relied on a calendar of communication campaigns directed to all participants regardless of need to fulfill their fiduciary responsibility. To demonstrate fiduciary responsibility in 2021, plan sponsors still need to deliver all participants the same experience but also to modulate the experience according to the needs of each "just-in-time", triggered by specified "events". "On-demand communications" are defined as delivered to the recipient as soon as or whenever required.

# Big Picture

The purpose of defined contribution plans is to help employees prepare for retirement. The goal of employee communication, education, counseling, and coaching is always to convince participants to participate in the plan, save more, consider the allocation of assets, consolidate all their retirement assets, and set up a plan draw-down strategy.

Historically, participant communication and education programs were delivered to all participants equally regardless of relevance. The general blanketing of information sent en masse to all participants regardless of relevance can in fact, do more harm than good. E.g., a communication about loans sent to all participants could result in increased loan utilization. A more effective way to mitigate loan initiation would be a targeted communication to participants with a history of borrowing from their retirement plan, just before they are about to take a loan (e.g., small loans around the Holidays)

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## PARTICIPANTS ARE LOOKING FOR IMMEDIATE HELP – WHAT DO I DO NOW? WHAT’S THE NEXT STEP? WHAT BUTTON DO I CLICK?

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Effective communication is timely and relevant. This is complicated by the retirement plan paradigm. To be effective, to get attention, information needs to be delivered just in time – when they need it, delivered just at that moment when it is needed. To maximize effectiveness of communications, the message must be delivered to the participant at the right time and the most effectual way. Gone are the days of campaigns directed to all participants.

Communications need to be targeted to specific participants for specific situations. This is becoming more often possible with the advent of data, data aggregation, marketing technology, mobile devices and communication/education programs designed to be more pertinent to individual situations. For this reason,

demographics by age, by account balance, by retirement readiness level, by loan utilization, by contribution level, by employment status, by marital status, etc. are critical data points.

# Lessons Learned During The Pandemic

As the coronavirus pandemic unfolded, accompanied by market turbulence, timing of communications was critical. It became clear that savers want to receive information from a trusted source; they also want to receive information just-in-time, when needed. For this reason, 401(k) plan firms shifted from scheduled in-person group meetings to a more self-service online delivery model, directing participants to content relevant to their specific situation at the time of need. Results were spectacular.

## CASE-IN-POINT

**Need:** As was the case at many other retirement plan service firms, Nationwide’s ability to meet one-on-one or in groups of participants was quickly halted in March 2020 due to the pandemic. The firm became more reliant upon its participant communication program to drive engagement and actions to improve retirement readiness and overall financial wellness.

**Results:** Nationwide welcomed the opportunity to discuss retirement planning with participants and was especially pleased with the increased call activity and the opportunity to help participants through a challenging year. Nationwide’s participant communication program was even more effective in 2020 as evidenced by the statistics below:

	2019 lift*	2020 lift*
Calls to discuss retirement readiness	28%	42%
Contribution Increases	18%	19%
Rollovers into Nationwide	22%	26%
Retirement Readiness Calculator Usage	26%	29%

\* Lift is derived by comparing Treated vs Control groups in the years noted above for 7800+ public sector retirement plans and 750k+ participants

Source: Nationwide Financial

Usage of information skyrocketed and the behavior of 401(k) plan investors improved to the point that retirement readiness and the overall financial wellness of participants improved through a difficult period. Carrying forward this regimen of communication through the entire decade is the best course of action for employers who sponsor a 401(k) plan and their retirement plan service providers.

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## THE SMART PHONE, APPLICATIONS, AND THE IMMEDIACY THOSE DEVICES AND TOOLS BRING WILL HAVE A BIG EFFECT IN GETTING PARTICIPANTS WHERE THEY NEED TO BE.

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The dramatic increase in usage of apps like DoorDash, Amazon, Facebook, Instagram, WhatsApp and others has encouraged a culture of enabling a sense of immediate gratification while demonstrating that more and more Americans are relying on their mobile devices for much more than talking, taking a selfie or posting a TikTok video.

The facility with things digital has led many savers to rely on their mobile device to access information about their retirement plans. Most service providers have released apps as part of their digital participant experience. One firm reported that mobile app usage skyrocketed, moving the needle from 64% month-to-month usage to 94%-96%. A high percent of deferral changes and other decisions recorded over the period were made by mobile app users in the mobile app offered by the firm.

## CASE-IN-POINT

*This case study highlights the benefit of a rapid response to the crisis thereby providing content and context to retirement plan participants.*

**Need:** April 2020, the economic impact of COVID-19 begins to hit consumers hard. The stock market plummets. Unemployment increases. There is a general sense of un-ease. Participants need help to navigate the markets, their savings and to shift mindset from uncertainty to empowerment.

### Campaign elements:

- Quick-hit surveys
- Three on-line text chats

### Results:

- Short educational Brainshark presentations on relevant topics
- Short podcasts
- Short videos
- Practical tips for coping with change and learning about the CARES Act

Source: SECURIAN Financial





# Intelligent Participant Communication

Most retirement plan service providers leverage an intelligent platform to deliver and direct communication and education to participants when and how they need it. The intelligence of the platform is not necessarily “artificial”, but it needs to be deliberate – dripping content from the library of Financial Wellness information to specific participants as they need it. Instead of asking for a calendar of campaigns – smart sponsors ask for some control over the experience – ask what levers are available on the plan sponsor workstation to trigger communication A or communication B for specific events. The plan sponsor has an opportunity to be more prescriptive while engaging with their service provider. It is the fiduciary responsibility for plan sponsors to design a participant journey that is suitable for their participant population through the stages of their work life.

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## WHAT IS THE PURPOSE OF THIS COMMUNICATION? ASK THE QUESTION FOR EVERY COMMUNICATION AND MAKE DISTRIBUTION DECISIONS ACCORDINGLY.

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The participant is now comfortable with virtual access to information – whether it’s ordering dinner, banking, shopping for supplies, or watching a video on how to change a tire or bake a cake. The real world and the retirement plan world are not distinct and separate from the participant lens. There is an increasing need for availability of access to information and transaction capabilities 24x7. And the participant is growing accustomed to controlling that access.

## CASE-IN-POINT

*This case study highlights the interesting side effects of the rapid response to the Pandemic.*

Responding to the COVID 19 Pandemic revealed the ability for individuals and service providers to be nimble. And, in some cases this yielded telling results. Pivoting to meet the shifting demand to meet with participants virtually through webinars and one-on-one virtual meetings. This allowed for the continued focus on participants’ financial futures and help them navigate the challenging current environment.

### The result

**300% increase in virtual meetings between Q1 and Q2 2020.**

### Participants were highly likely to:

- Shift to the website to use online financial planning tools.
- Create a budget.
- Take other actions to improve their overall financial wellbeing.

### Meeting satisfaction ratings 2020:

- Information is relevant and applicable **97%** (an increase of 3% from 2019)
- Meetings are convenient (time, date, and location) **98%** (an increase of 7% from 2019)
- Quality of handouts and visuals **96%** (an increase of 10% from 2019)
- Overall counselor satisfaction **97%** (an increase of 1% from 2019)
- Provided clear and simple explanations **98%** (increase of 1% from 2019)

Driving better participant outcomes, any time and place,  
Prudential Retirement 2020

## NEW APPROACHES TO COACHING AND TRAINING

What about an approach that expands coaching to the virtual world? Almost 5 billion videos are watched on Youtube every single day. The average mobile viewing session lasts more than 40 minutes. This is up with more than 50% year-over-year. More than half of YouTube views come from mobile devices. \* If the video is done well, interested parties will watch. Instructional YouTube videos are like on-demand coaching sessions; coaxing the viewer to try to fix the doorknob, make sushi or even tie a bow tie. What does “in person” mean? Is it real-time human interaction or is it a video with a specific education or information goal available when and how the participant desires? It is an avenue worth exploring in the participant education arena.

Available content could extend from the expected investment or plan related detail to access to “YouTube” videos of practical instructions on filling out a beneficiary form, or QDROs. The objective is to give participants the feel of a one-on-one interaction with an instructor or coach—on their schedule! Search engine on key words to look through a library of content for participants in video format – so participants get the feel of a one-on-one interaction with an instructor/coach without the in-person live interaction.

## CASE-IN-POINT

**Need:** The COVID-19 pandemic led retirement plan service firms to migrate all participant education to virtual delivery. The industry learned important lessons in the process.

One firm reports that despite the pandemic and the inability to deliver participant education on-site, it saws only a 17% decrease in group education meetings, and only a 37% decrease in one-on-one education meetings. The number of virtual sessions skyrocketed.

**4X**  
as many  
**virtual & recorded group**  
education meetings were  
conducted and recorded

**10X**  
the number of virtual  
**1:1 education**  
meetings  
were conducted

In the process, the firm learned an important lesson: virtual education is more effective than on-site education at changing participant behavior. Not only were participants who attended virtual sessions satisfied with the meeting **(82%)** and the educator **(87%)**, they were more likely to take action after a virtual meeting than after an in-person session, and **79%** reported they better understand the resources to take action.

	Virtual 1:1 meetings	On-site 1:1 meetings
AVERAGE DEFERRAL RATE OF ENTRANTS	7.68%	7.33%
% OF NEW ENTRANTS ENROLLED AT 10% OR GREATER	24.2%	20.1%
TAKE UP RATE FOR ANNUAL INCREASE	17.7%	19.4%

Source: PRINCIPAL FINANCIAL GROUP – Driving outcomes through on-demand & virtual education - PQ13003-0 | 1587371-042021 | 04/2021

# The Benefits of Communicating Just-in-Time and On-Demand

There is also ample evidence, dating back to 2013 that intervention helps employees make better investment decisions (auto enroll, escalate, etc.) Time-sensitive, compressed, outcome-driven, multi-channel participant communications and education campaigns structured as step-by-step instructions convey a sense of urgency and are more effective at driving behaviors and outcomes.

Is there a risk that the old-fashioned approach to 401(k) plan education might actually deter participant action?

There is evidence that this may be the case. In a research paper titled “Subjective Knowledge in Consumer Financial Decisions”, the authors (Liat Hadar, Sanjay Sood, and Craig R. Fox of the Anderson School of Management at UCLA) propose that effective financial education must focus not only on imparting relevant information and enhancing Objective Knowledge (how knowledgeable they are) but also on promoting higher levels of Subjective Knowledge (how knowledgeable they feel) because increasing savers’ objective knowledge regarding financial instrument can actually deter their willingness to invest<sup>1</sup>. So, do context and confidence play a role in participant action?

In a research report titled “Financial Literacy, Financial Education and Downstream Financial Behaviors”, Daniel Fernandes of the Rotterdam School of Management of Erasmus University, John G. Lynch, Jr. of the Leeds School of Business of University of Colorado-Boulder, and Richard G. Netemeyer\* of McIntire School of Commerce, University of Virginia, Charlottesville conclude that interventions to improve financial literacy explain only 0.1% of the variance in financial behaviors<sup>2</sup>. They suggest a reduced role for financial education, and a real but narrower role for “just-in-time” financial education tied to specific behaviors it intends to help.

The pandemic and other recent events has highlighted how prepared (or not) Americans are to withstand financial crisis has led to increasing demand by sponsors and

## COMMON CENTS LAB (DUKE UNIVERSITY) REPORTS THAT:

- SMS texts with credit score information increased credit scores by 21% in individuals with low credit scores (Federal Reserve Bank in Boston, 2014)
- Individuals that received coaching were 4% more likely to maintain a regular budget and 14% more likely to open a savings account (Caperna et. al, 2015)

employees for holistic Wellness Programs available to employees when and where they want to receive it—in other words on -demand or just-in-time. At the time of need, participants can be directed to the content most relevant to their specific situation. The key to success is the ability to connect with participants individually and to address their personal situation with relevant content just when they need it. Technology is the enabler.

Although the supply of quick videos and easy-to-use educational pieces will be greater, a portion of participant communication and counseling will still need to be delivered in person, if only because some workplaces do not lend themselves to e-delivery (e.g., factories, slaughterhouses, large retail, mines, etc.) But even the definition of in person is changing. Can a zoom video conference be “in person?” This approach allows for an expanded reach and better timing.

Part of the participant experience on which the plan sponsor needs to reflect is permissions – notifications on the app or SMS / Text permission. Participants are in control of the permission – “Opt-out” in “Automatic enrollment” means something different now. With an app, participants are in control of the notification settings. In notification settings, they can make a distinction between administrative notifications and information notifications – “Your profile” is now an expanded profile including preference elections.

Does just-in-time reflect an omni -channel approach or is it digital or in-person only? Does it have to be a binary choice? Or will the digital transformation currently underway drive a more meaningful in-person experience.

1 Subjective Knowledge in Consumer Financial Decisions – Journal of Market Research - Vol. L (June 2013), 303–316

2 Financial Literacy, Financial Education and Downstream Financial Behaviors - 2014

# Final Thoughts and Conclusions

It is arguable that just-in-time and on-demand participant education and coaching campaigns are effective at driving participant behaviors and outcomes. With the increasing access to and control over information held by individuals, it is possible that change, including disruptive change, is imminent. The current environment begs many questions.

For example, Average Joe investors, coordinated on Reddit, roughly quadrupled the stock price of the struggling video game retailer GameStop (GME) in a trading frenzy that has cost traditional Wall Street hedge funds millions of dollars. This same Average Joe is also contributing to his retirement plan at work. So, what has he learned through this increasing control and access?

Robinhood, Webull, TradeStation, SoFi Active Investing, TD Ameritrade, ZIGGMA and others are bringing trading, analysis, evaluation and expanded brokerage services for lower fees and in a format that capitalizes on the changing sensibilities of investors. What will these developments mean for retirement plans? What about crypto currencies, like bitcoin? Will those slowly make their way into retirement plan investment menus? 401K Specialist Magazine asks, “While 401k participants might not be banging down the door of their plan sponsors to provide access to bitcoin investing today, who’s to say tomorrow’s plan participants—once some fiduciary, security and regulatory barriers are cleared—won’t be?”

Technology is influencing today’s retirement plan investors and so is their age. The workforce is getting younger. The oldest members of Gen Z are 24 years old and have entered the workplace. Generation Z prefers to play video games, stream music, and engage on social media. What is the best approach to effectively drive saving and investing behavior with this cohort?

Millennial employees—those turning 25-40 this year—are now the largest segment of the workforce, according to Pew Research. These digital natives are using their sway to drive technological change that makes work more efficient. CompTIA’s research, for example, shows that two-thirds of

## CASE-IN-POINT

### Employees prefer online learning.

If given a choice between sitting in a conference room or in a spot of their choosing participants clearly choose a time and place convenient to them. Out of every 10 American Employees, 7 consider a smartphone their primary learning channel, and 63% consider themselves dual-channel learners, strategically switching off between mobile devices and PCs.<sup>3</sup>

#### Employee preferences associated with work-related learning

70%

of American workers consider a smartphone their primary learning channel

63%

are dual-channel learners, orchestrating their learning between two devices

### Interesting findings

- With online registration and attendance logging, it’s still possible to determine who’s getting the plan information they need.
- Live webinars allow for real-time questions and answers.
- Digital sessions can connect seamlessly and instantaneously to an appropriate action — whether it’s enrolling, saving more, or exploring a new investment option.

### Regular online learners are one step closer to financial wellness.

With fewer than 20% of 401(k) participants confident in their ability to make financial decisions,<sup>4</sup> financial wellness benefits have become hot industrywide, and online involvement is the key to making them work.

### Next steps

What can be gleaned from this information? Collectively, the calculators, videos, articles, and game-inspired learning modules can help create better budgeters, investors, and planners. Today’s planning hubs can create personalized and compelling experiences; however, a workforce’s financial IQ is most likely to be raised by plans that cultivate online education and engagement.

**Source:** Six reasons to prioritize digital 401(k) learning – April 14, 2020 – John Hancock <https://retirement.johnhancock.com/us/en/view-points/plan-design/six-reasons-to-prioritize-digital-401-k-learning>

millennials and their younger Gen Z colleagues—those turning 23 and younger—consider an organization’s embrace of technology and innovation as an important factor when choosing an employer. What does that mean for the retirement services industry when it comes to attracting and retaining talent let alone driving effective participant behaviors and outcomes.

The challenge remains then- how best to drive participant behaviors and outcomes in a way that will help Americans be prepared for retirement. What then is the next, best approach?

Retirement plan service providers, advisors and even plan sponsors will have to be nimble and be willing to take risk to avoid simply reacting to the rapidly changing world of personal, personalized, customized, on-demand communications. Knowledge and confidence appear to be critical attributes of participants who acted and, as a result experienced better retirement outcomes. That information may be the keystone of future communication programs and efforts. What will that look like? Success may be measured by those retirement plan service providers, advisors and sponsors who are willing to take a risk and find out.

**JUST-IN-TIME AND ON-DEMAND COMMUNICATIONS ARE CERTAINLY MORE EFFECTIVE THAN ARE THE PAPER-BASED MASS COMMUNICATIONS OF THE PAST.**

## About the 401(k) Listening Post

The 401(k) Listening Post is “Where you voice ideas and service providers listen”. The post provides a venue for sponsors of defined contribution retirement plans and their advisors to voice ideas and suggestions to enhance the retirement readiness and financial wellness of working Americans. Suggestions and ideas are shared with retirement plan service providers at industry meetings. The 401(k) listening post accomplishes its mission through an open and honest feedback mailbox, periodic surveys and interviews. In turn, participating retirement plan service providers share their thought leadership, news, and industry initiatives to help plan sponsors and advisors advance the success of their retirement plan.

### Firms supporting our 2021 programs

#### CLIENT AND ADVISOR EXPERIENCE

ADP Retirement	Lincoln Financial Group	The Standard
AIG Retirement	Nationwide	Transamerica
CUNA Mutual	Principal Financial Group	T. Rowe Price
Empower-Retirement	Prudential Retirement	VOYA
John Hancock Retirement	Securian	

#### PARTICIPANT EXPERIENCE

ADP Retirement	Principal Financial Group	T. Rowe Price
John Hancock Retirement	Securian	
Lincoln Financial Group	The Standard	



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