

charles
SCHWAB

Communicating
retirement plan
benefits in a
world of skeptics

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It's widely accepted that retirement plan sponsors and providers have tried to educate employees about the importance of saving and investing in their 401(k) plans. A study has shown that traditional workplace education and financial literacy materials that have largely focused on changing behavior and cultivating financial literacy haven't had the desired impact.¹

In January 2013, Schwab Retirement Plan Services (“Schwab”) enlisted the help of maslansky + partners, a communication strategy and language research firm. Our objective was to better understand the 401(k) participant mindset and find the best ways to promote engagement with their retirement plan. During two 3-hour sessions in Chicago and Seattle, 50 focus group participants (half beginner investors, half investors who contribute at least 5% of their salary and have total investable assets of at least \$100,000) responded to messages using Instant Response dials, a tool used by maslansky + partners, which measured their immediate, emotional reactions to what they were hearing.² These messages were designed to test current 401(k) plan education materials, as well as alternative messages. Each message was then discussed with the focus group to understand why some messages worked better than others.

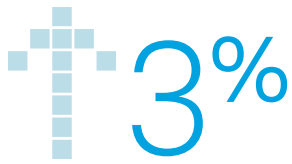
The findings? The research revealed a communication gap between what traditional 401(k) participant education efforts have been communicating and what focus group participants told us they actually want to hear. The majority of focus group participants identified with a “skeptical” mindset when engaging with their 401(k) plan: They told us they didn’t trust their providers to work for their best interests and were unsatisfied by the information they received from the plan. They also indicated that while they weren’t interested in becoming financial authorities, they require more facts and figures to grasp their plan benefits. In other words, the focus group participants are looking for “consumer-friendly data” to make decisions about and be more engaged with their retirement plan.

“I don’t want someone at an outsourced call center reading a script to me. I want an actual person to talk to.”

—Focus group participant

1. Financial Engines and Aon Hewitt, “Help in Defined Contribution Plans: 2006 Through 2010,” September 2011. “Help” in this research is defined as target-date funds, managed accounts, and online advice.

2. The language analysis study was commissioned by Schwab Retirement Plan Services, Inc. and Schwab Retirement Plan Services Company. Both entities are collectively referenced in this article as “Schwab.” The language analysis study, “Designing Language That Builds Relationships,” was conducted by maslansky + partners in January 2013. For more information about maslansky + partners, visit maslansky.com.



3%

Studies indicate that 401(k) participants that received help, on average, experienced returns nearly 3% per year higher than 401(k) participants that did not receive help.³

Communicating the nuances of evolving plan design

401(k) plans continue to evolve post-Pension Protection Act of 2006 with advice as a common plan feature. Studies indicate the impact of advice is positive, with one study indicating that 401(k) participants that received help, on average, experienced returns nearly 3% per year higher than 401(k) participants that did not receive help.³ What's more, 401(k) participants are interested in this kind of service. A Schwab survey of over 1,000 401(k) plan participants, conducted separately from the focus group study, revealed 83% of respondents expressed interest in getting professional advice for their 401(k).⁴

But, there's a disconnect. While most 401(k) plans offer some type of professional advice, industry studies indicate typically less than 20% of 401(k) participants actually use advice when it's offered.⁵

What is driving this disconnect? When asked about whether or not they were taking advantage of their plan's advice feature, the focus group participants revealed the majority of them were not. The reason: While the benefits of advice might be clear to providers and plan sponsors, to most of the focus group participants the information about the service didn't clearly demonstrate the benefits, especially to those who may start from a skeptical mindset.⁶

Plan sponsors are hearing this skepticism as well. One theme from a recent Schwab plan sponsor client feedback session was that sponsors are looking for providers to help them with "change management."⁷ As sponsors make changes to their plan, in many cases to attempt to enhance the benefit and provide more ways for 401(k) participants to achieve better outcomes, sponsors also are met with a high degree of skepticism from their 401(k) participants that the change is really in their best interests. Therefore, sponsors are increasingly seeking ways to better communicate the value of any benefits changes and looking to their plan provider for assistance.

3. Financial Engines and Aon Hewitt, "Help in Defined Contribution Plans: 2006 Through 2010," September 2011. "Help" in this research is defined as target-date funds, managed accounts, and online advice.

4. Charles Schwab in conjunction with Koski Research, 401(k) Participant Survey, October 2011. All survey data collection and analysis was conducted online within the United States by Koski Research. A total of 1,005 interviews were conducted between August 30 and September 1, 2011, on employees employed full- or part-time and who participate in their employer's 401(k) plan. No estimates of theoretical sampling error can be calculated; a full methodology is available. The national 401(k) participant survey constitutes the 401(k) Participant Survey.

5. The Plan Sponsor Council of America's 55th Annual Survey of Profit Sharing and 401(k) Plans reports on the 2011 plan-year experience of 840 plans with 10.3 million participants and \$753 billion in plan assets. psca.org/55th-annual-survey-highlights.

6. Schwab in conjunction with maslansky + partners, "Designing Language That Builds Relationships," language analysis focus group, January 2013.

7. Schwab client advisory board meeting, June 5, 2013.

How to talk like a PRO

During the focus group research, maslansky + partners tested and gauged reactions to a variety of messages about 401(k) plans that use low-cost index funds, opt-out advice, and access to one-on-one phone consultations and learned what worked and what didn't. We found that while the benefits of low-cost index funds were clear to most of the focus group participants, they did not immediately see the value of advice. The focus group discussions uncovered a seemingly simple strategy that effectively eases their skepticism. What they need to hear can be packaged by the acronym PRO: the *Professional*, the *Relationship*, and the *Outcome*.

The Professional

When asked, the majority of focus group participants told us they didn't use the advice that was available to them in their 401(k) plan. When asked why, we discovered that many didn't fully understand it or appreciate that it added value. They indicated they were uncertain how to access the advice feature and/or they were skeptical if the advice would be helpful or unique to their situation. They felt the status quo has been for them to manage and problem solve on their own and were concerned the "advice" would try to push costly products they didn't understand. However, they did express a desire to have direct access to someone they



"I don't want service from computers. I want service from people."

—Focus group participant

could contact with questions about the advice feature, someone that understood their 401(k) plan, and understood how to access the advice feature, answer questions they may have about it, and—ultimately—help them use it. But, there were stipulations. Their past experiences made them skeptical of who that person is. They want someone knowledgeable, unbiased, and who does not work on sales commission to be at the ready to answer their questions. Ideally, they'd like their plan to offer the person's direct contact information. When tested with the focus group, many indicated that the messages that focused on the benefits of contacting a knowledgeable professional with questions about the advice feature sent a clear signal that they would be working with someone who is on their side and can help them.

“I want to know that I'll have less to worry about because we're working together.”

—Focus group participant

The Relationship

In addition to having information that clearly describes the knowledgeable professional who would be helping them make full use of their 401(k) plan advice feature, the focus groups stated it's important to have a picture of what the one-on-one consultation—or relationship—would look like. As noted above, nearly all the focus group participants explained they skeptically assume that the person they are directed to call with questions about their plan's advice feature is there primarily to sell products or offer ill-fitting, one-size-fits-all solutions. They want assurances they will receive a relationship as a conversation built on listening. One-on-one phone interactions or “conversations” that are two-sided and described as friendly, open, and honest. The focus group participants indicated they want to interact with someone who will spend time with them, because they want the option to extend the relationship beyond a single point in time. And they want the option of connecting with the same person in the future if possible. This tells them that the relationship is about *them*, not the plan provider.

Talk like a PRO

Describe the Professional

- Highlight they are highly trained, educated, and knowledgeable professionals.
- Give direct contact information and specifics about who they are.
- The professional doesn't work on sales commission.

Tout the Relationship

- It can be consultative and ongoing long-term.
- It's about conversations based on listening.
- It's about taking time to focus on the individual in a manner that's familiar and friendly.

Highlight the Outcome

- A personalized savings and investing plan that helps individuals stay true to their investment objectives.
- Built around the stages of life.
- Savings and investing plan based on the goals of the individual.

The Outcome

Based on the messages the focus group participants responded most favorably to, the groups further revealed they'd rather understand the benefits of their retirement plan first and then possibly develop a deeper understanding of their plan's features once they clearly see the impact. For example, when we tested messages about advice or the benefits of one-on-one phone consultations, the messages that focused on "outcomes" such as a personalized savings and investing plan paved the way for them to better understand their plan's features—and increased their appetite for engaging those plan features. Focus group participants indicated this also paved the way for them to have a greater sense of appreciation for their 401(k) plan.

Let's rethink 401(k) participant education together

At Schwab, it's our belief the time is right to rethink approaches to 401(k) participant education. Designing language that builds 401(k) participant relationships takes strategic insight and tested messaging that are designed to unlock the emotion 401(k) participants experience when faced with saving for the future. By harnessing the power of language, and communicating with 401(k) participants in the way they want and need, our study's conclusions indicate they may also become more engaged with their 401(k) plan. We believe in the power of saving and investing to help individuals work toward a better tomorrow. We have a history of challenging the status quo in our industry.

"I don't want someone to just tell me what to do. I want you to give me ideas, make recommendations, and I'll decide what to do with it."

—Focus group participant

If you're a plan sponsor or consultant interested in changing the status quo and learning more about our research, let's continue the conversation. Contact your Schwab representative, call **1-877-223-7036**, or visit **[rethinkyour401k.com](https://www.schwab.com/rethinkyour401k)**.

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AHA (0913-6152) PLC78138-00 (11/13)



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