

**BLACKROCK®**

In partnership with:

**NARPP**

# How behaviorally effective communications can improve outcomes

Best practices for engaging employees



## BlackRock is committed to helping clients improve retirement outcomes for their participants.

To support our continued mission, we have partnered with the National Association of Retirement Plan Participants (NARPP) to help plans take advantage of the latest research and development of behavior-changing communication best practices.

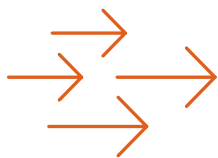
Employees want more help with managing their workplace retirement savings. Yet, in a recent BlackRock DC Pulse survey, nearly half of all participants feel that their employers' communications do not help them decide what they should be doing with those savings.<sup>1</sup>

This may not come as a surprise to plan sponsors who report spending a great deal of time and effort delivering legally required documents and plan updates, leaving few resources for value-added guidance for participants.

Ineffective communications are a missed opportunity. When executed strategically, plan communications can

serve as the third leg of the workplace savings plan stool – along with plan design and a diversified investment menu – to help employees achieve better retirement outcomes. And so the question becomes, how do busy HR staff tap into the full potential that communications hold?

We believe it begins by recognizing that every communication can further the plan's goal of driving retirement readiness. Then fulfilling on that promise by promoting pieces that adhere to communication and behavioral principles known to drive participant decision-making, including:



- Ensuring pieces are designed to build trust
- Demonstrating empathy with the audience
- Providing guidance in the form of a clear, easy path to follow
- Delivering the right amount of information at the right time
- Limiting information to what is needed to bring knowledge from where it is, to where it needs to be to make a decision

**This paper will detail these principles and outline how to bring them to your plan.** But before doing so, it is helpful to understand how participant needs have changed – and why that change necessitates a new approach to communications.

<sup>1</sup> BlackRock, 2016 DC Pulse Survey, [www.BlackRock.com/dcpulse](http://www.BlackRock.com/dcpulse).

## The communications evolution

DC plans were once supplemental savings plans that typically offered a list of mutual fund investments. Today, DC plans are the central pillar of American retirement and require the average participant to make long-term savings and investment decisions. The result is that the investment choices they make today have ramifications across their entire life, from the amount of savings they accumulate through to how they manage spending in retirement. This shift has caused anxiety around retirement planning, including a lack of confidence in their own ability to make good financial decisions.

Participant anxieties around retirement preparedness are also the result of increasingly low levels of trust in financial institutions. When it comes to retirement savings, the communications that participants are presented can be dense, overwhelming, and confusing – none of which cultivate trust. We know that, according to The National Association of Retirement Plan Participant's (NARPP) "2016 Participant Engagement Study," that less than half of participants feel that the information presented to them about their retirement savings plans is "always in their best interests." Participants who lack trust can be less engaged, seriously jeopardizing their retirement readiness.

The shift in how we save for retirement, and the associated barriers to participant preparedness, are critically important for the C-Suite to consider as well. Getting employees ready for retirement is a key component of workforce management. Ineffective communications can lead to confusion, inaction or overreactions that prevent people from making prudent retirement savings decisions, including boosting their savings and making more appropriate investment choices. The result: a growing number of workers who may not be able to retire when planned.

Re-engineering communications to simplify choices and deliver the information and motivation participants need requires acknowledging how things have changed. But it also may require reassessing two diametrically opposed views of participants that can lead to ineffective communication plans:

✓ **People as rational decision-makers.** The assumption is that, when presented with the necessary information, people will act rationally and without cognitive errors. Very often, employees are given all the plan information the day they enroll and then are pointed toward a website for questions. Subsequent and on-going communications tend to be regulatory announcements or technical investment communications meant to keep participants updated on any changes to the plan or funds they hold. The underlying view being that participants are engaged with their plan and understand how to use it – so anything more may undermine the independence of their decision-making.

↻ **Automated participation.** Auto-enrollment and other automatic plan features are powerful tools that have helped increase savings balances and diversification. Unfortunately, they often inspire a kind of benign neglect. After all, "autos" work, and communication beyond what is required is frequently deemed unnecessary as a result.

Despite having a different underlying motivation, both of these assumptions shortchange the power of behavior-changing communications that, when implemented alongside plan design, can help improve outcomes.

## What communications can achieve

Once we recognize that savers benefit when communications are central to their overall plan experience, we can begin to deliver communications that help employees take advantage of what they are offered in the plan – the features and investments that the plan sponsor and committee have expended so much time and energy implementing.

To that end, **effective communications need to fulfill three key purposes** as part of an aligned system across plan design, diversified investment menu and communications:

**1 Reinforce the success of plan design.** Plan design can help ensure that big swaths of the employee population benefit from the plan sponsor’s saving and investing recommendations. For example, when a plan auto-enrolls employees, it meets the goal of getting more people saving – and starting earlier. Yet, for many employees the default savings rate is likely too low to achieve the retirement outcomes they need. This is just one instance where communications can further the good start created through plan design by encouraging participants to nudge their contribution rate above the default.

**2 Address gaps that plan design does not reach.** For a variety of reasons, a plan may not offer all possible design features, may not have made all features truly automatic (opt-out rather than opt-in), or may not have a design lever suited to addressing a particular issue. Communications can address these gaps.

For example, only about one in four plans (28%) fully auto-escalate employees’ contribution rates – meaning that contribution rates increase each year unless participants take the action to opt out.<sup>1</sup> Instead, most plans (54%) escalate contribution rates each year only for participants who elect to do so.<sup>1</sup> And many participants are unlikely to increase their contribution or select auto-escalation unless their plan communicates the benefit of doing so. This is an example of where communications are key to getting more participants to take the actions they need to in the absence of automation.

**3 Build employee loyalty.** Employees do not necessarily understand their plan as an important, valuable benefit. Communications offer an opportunity to publicize the company match, for example, or the value of additional contributions as another form of compensation offered by the company. Without communication to reinforce this benefit, the sponsor misses the opportunity to build loyalty along with retirement savings.

To accomplish these goals, communications must meet participants’ changing needs and be engaging, simple, and relevant. Getting this right will ultimately lead to better financial decision-making and improving retirement outcomes. That’s why BlackRock and the National Association of Retirement Plan Participants (NARPP) are committed to helping plan sponsors learn how to transform their communications into a powerful engagement tool.

The following is an approach to communications that puts new insights and innovations into practice. We will also consider some examples of communications that engage people and spur action.

<sup>1</sup> Aon Hewitt: 2015 Hot Topics in Retirement

## Re-engineering communications for today's audiences

Confronted with more complex choices and more complicated financial decisions than ever before, people are now essentially required to be their own pension managers – charged with maintaining a retirement plan that could need to last thirty to forty years after they stop working. And many will rely on their employer's retirement plan as their primary source of income in retirement.

At the same time, retirement savers today are connected, mobile, and diverse. And while they span generations (Baby Boomers, Gen X, and Millennials), all have come to expect communication experiences that are engaging, simplified, transparent and relevant. Consumers are accustomed to information experiences that focus on their needs and that are simple, easy-to-use and enriching.

Different generations of DC participants are united in key areas related to their expectations around plan communications. They:

- Want effortless, intuitive, seamless online and offline experiences
- Expect their needs to come first – not the product, service or brand
- Seek out communications that are experiential and engaging, rather than merely transactional

To meet the changing needs of today's retirement savers – and to reshape the future of retirement savings outcomes – NARPP has taken an interdisciplinary approach that relies on intuitive design, communications theory, and behavioral

finance to identify solutions to the challenge of increasing and sustaining participant engagement.

The pillars of this interdisciplinary process involve:



### **Studying macro trends outside the DC**

**industry** to identify emerging consumer behaviors and expectations for communication design that can point to new ways forward for retirement communications.



### **Understanding the participant audience**

to uncover unmet needs and cognitive barriers to saving more.



### **Identifying the regulatory and business**

**imperatives** that must be in place to make improvements that are implementable.



### **Bringing together the best of behavioral**

**finance and intuitive design** to create trust-building communications for participants.

These factors, in combination, have allowed NARPP to identify practices that are essential to building effective communications – the culmination of which is their Intuitive Sustained Engagement (ISE) system. ISE is a human-centered communication program that has been tested and proven to deepen engagement and change behavior.

For example, NARPP deployed their unique communications strategy to design a single, 8.5 x 11 inch piece of communication – the enrollment form – for a large state employer looking to increase voluntary enrollment. The 457 plan is offered to 175,000 employees as a supplemental plan with no employer match. The new form was put into place in January 2015, and the ISE redesign results yielded a 25% enrollment increase in six months.

## Building behaviorally-effective communications

ISE works because it combines behavioral finance and intuitive design to address barriers to decision-making and its core principles can be applied across a range of materials. Key elements of this behaviorally-effective communications system are outlined below and the following elements should be prioritized and designed for in every communication:

### Trust

Trust is perhaps the most important element. Trust is what drives engagement; it is the feeling that allows us to take action with confidence. Building trust should be the goal of every piece of communication. This is achieved through:

- Clear, simple messages, without jargon
- Peer-to-peer, conversational voice
- Clear motivations for offering the plan or suggested action
- Optimism – having and instilling the belief that the reader can do it

### Empathy

Knowledge of, and empathy with, your audience strengthens all of your communications. Participants want education materials that are:

- Always in their best interest
- Helpful in understanding the basics
- Easy to understand
- Effective in helping them meet their savings goals
- Demonstrate care about their long-term financial security

### Guidance

Provide a clear, easy path – and a goal – and they will follow. Pull the reader through a series of simple, consecutive and connected messages designed to help them picture the desired future – and how to achieve it. Show the clear path from decision to action.

### Whole journey

Design the larger journey with a focus on delivering the right amount of information at the right time. Let participants know what to expect from moment to moment – rather than flooding the participant with information at singular, isolated touchpoints, such as enrollment. Doing so will help to create a more cohesive user experience that builds trust and engagement over time.

### Education

Purposefully contextualize educational information at critical moments to allow the information to be more effortlessly impactful and personally relevant. This approach is reliant on using the absolute minimum of text to explain concepts, so that each piece includes only the essential information needed to advance the reader's knowledge so that they are able to make a specific decision.

### Behavioral finance

Behavioral finance is a useful tool for understanding the psychological, social, cognitive and emotional factors that influence participants' financial decision-making. In other words, it attempts to explain the reasoning patterns, including the emotional processes, involved in making financial decisions. As such, it can be leveraged to remove cognitive barriers that impede effective decision-making.

Putting behavioral finance into action, NARPP's communications makes use of enhanced active choice (EAC), which is a hallmark of ISE. EAC connects decision points with possible consequences of those decisions – such as highlighting both the potential positive and negative consequences of a given choice. Interestingly, plan sponsors NARPP has worked with so far feel they want to state the consequences of the participants' decision as strongly as possible while remaining in compliance. That is, sponsors feel that their participants do not understand the impact their decisions could have on their lives – and want to make the consequences clear.

### Intuitive design and visual language

Intuitive design reduces complexity and simplifies difficult to understand concepts so that the user feels empowered. It bridges the gap between the “current knowledge point” and the “target knowledge” point. By translating complex concepts into easy-to-understand visual stories, we can reduce the time and effort needed to increase participants' knowledge so as to make it easier to make complex decisions.

When all of these elements are factored in and designed for, the results are trust-building communications that place the participants' needs at the center. These types of communications increase engagement and can lead to better outcomes.

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## Best practices in designing participant experiences

### Do

- Use white space to focus attention and remove clutter. Deleting unnecessary information and de-cluttering encourages the reader to pause during stressful moments when they must understand new concepts and make decisions.
- Guide with step-by-step instructions. Help the reader build confidence in learning and assist them in the decision-making process. “Start here,” “1, 2, 3,” and “Just begin by” can help greatly in this process.
- Replace complex statistical displays with simple visuals such as circle charts.
- Be solution-oriented and optimistic. When you assume that the reader can and will make the right decision for themselves, they will be more likely to do so.
- Ask for action. Focus on the most important action required, minimizing the number of “calls to action” in a single piece.

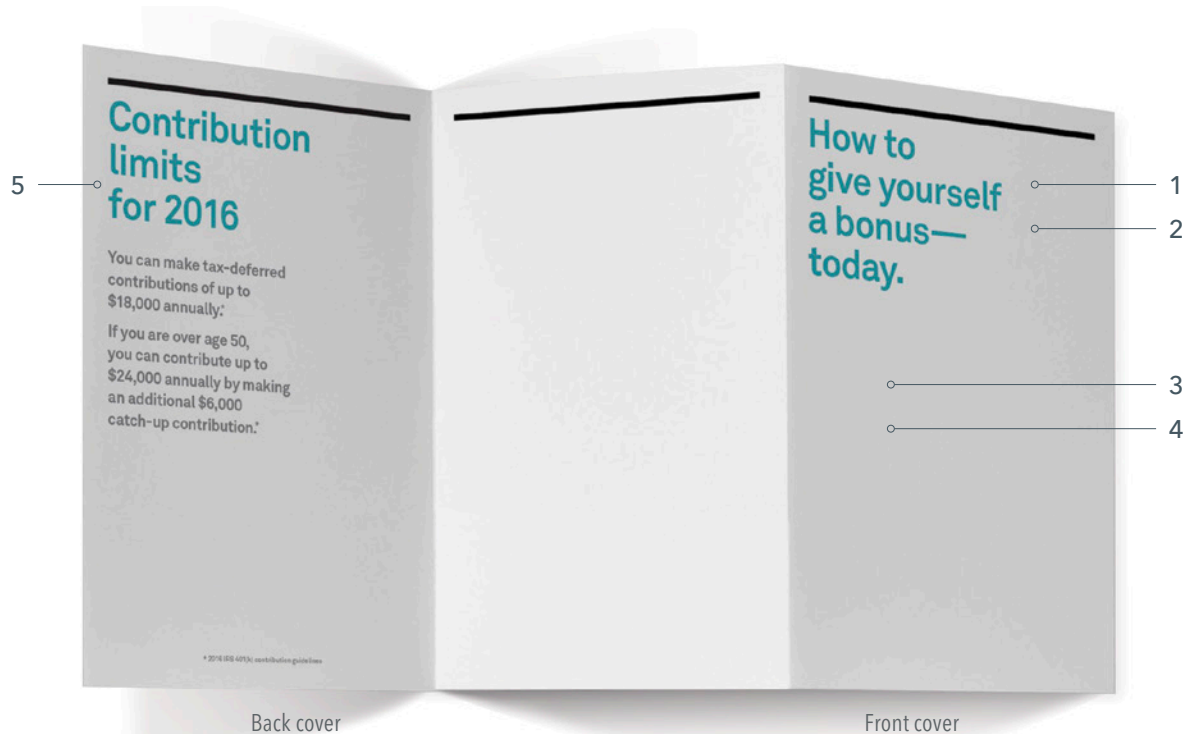
### Don't

- Use industry or financial jargon; instead use simple, straightforward, common terms, as well as short words and sentences.
- Overwhelm with more information than is absolutely necessary at each touchpoint.
- Rely on fear-based motivators.
- Include abstract or unfamiliar lifestyle images, which can derail emotionally-charged decision-making.
- Talk down or use an institutional tone that implies a paternalistic sense of knowing what's best.

## Putting principles into practice

To show how these principles work in practice, BlackRock partnered with NARPP to provide examples designed to drive participants toward more appropriate contribution levels. The principles apply equally to investments and retirement planning, but we focus on savings as the piece of the retirement equation that is squarely in the participant's control. Market returns and investment performance are also crucial determinants of their retirement outcome – but the amount the participant sets aside is the primary ingredient of their success. Below is one of five savings-related pieces available to demonstrate the principles outlined earlier.

**This piece focuses on encouraging participants to take advantage of the company match:**



**1** Build trust through optimism. When you assume the reader can and will make the right decision for themselves, they will be more likely to do so.

**2** Express empathy by eliminating jargon.

**3** Use white space to focus attention and remove clutter. Deleting unnecessary information encourages the reader to pause during stressful moments.

**4** Don't include abstract or unfamiliar lifestyle images, which can detail emotionally charged decision-making.

**5** Design the whole journey in each communications piece and give the same level of design treatment to all information, such as plan details, so that the experience is cohesive and continuous.

Screenshots for illustrative purposes only.





Inside panels

**6** Give guidance with step-by-step instructions. Help the reader build confidence in learning and assist them in the decision-making process. “Start here,” “1, 2, 3” and “Just begin by” can help greatly in this process.

**7** Express empathy by demonstrating reciprocity and focusing on the user’s needs.

**8** Build trust by not overwhelming with more information than is absolutely necessary at each touchpoint.

**9** Build trust by not talking down to or using an institutional tone that implies a paternalistic sense of knowing what’s best.

**10** Embed education by contextualizing information at key moments.

**11** Use visual language and replace complex statistical displays with simple visuals such as circle charts.

**12** Utilize Enhanced Active Choice by highlighting the potential negatives of the non-preferred alternative, and the positives of the preferred alternative, increasing the likelihood that an individual will take an action that positively impacts their future and maximizes gains.

**13** Focus on the most important action required, minimizing the number of “calls to action” in a single piece.

## Conclusion

A great deal of time, effort, and expertise have gone into creating your retirement savings plan, but **success comes down to whether employees take advantage of it.** By evolving communication strategies to meet the needs of today's retirement saver, we can work to ensure that your thoughtfully designed plan features and selected investments are well-utilized by the participants they are designed to serve.

Pieces that combine behavioral finance and intuitive design transform participant communications into a powerful engagement tool – and by so doing can reinforce or encourage positive savings behavior, help with investment selection and deepen employees' connection to their employer. Most importantly, though, these communications can help participants on their path to retirement readiness.

## About BlackRock Participant Communications

BlackRock's specialized participant communications team is dedicated to empowering plan sponsors and helping employees take action and get the most from the plan you offer.

Our communications professionals pair today's best techniques with the approaches we've honed from decades of DC expertise to tailor a solution for your plan. BlackRock will partner with you to find the right message, delivered the right way for your organization - in a time efficient and cost effective way.

Your understanding of your organization, paired with our DC plan communications expertise, will allow us to build a strategy that helps motivate your employees to act.

## About NARPP

The National Association of Retirement Plan Participants (NARPP) is a San Francisco-based 501(c)(3) non-profit organization whose mission is to advocate for individual savers. Through pioneering research, independent coalition building, and innovative educational programs, NARPP is making financial information transparent and universally accessible for the 145 million working Americans saving for retirement. NARPP promotes financial empowerment through innovative programs designed to help people achieve their goal of a financially secure future. The organization believes that everyone should have access to simplified, independent, conflict-free information on financial decision-making. NARPP was founded by a group of passionate and determined problem solvers who are committed to seeing a more financially secure future for everyone. This group includes: retirement industry experts, behavioral finance academics, world-class designers and technologists.

## Why BlackRock DC

BlackRock is dedicated to offering quality investment solutions to help more than 10 million investors in workplace savings plans achieve their retirement goals. As of June 30, 2016, the firm manages U.S. \$4.89 trillion in assets under management.\*

For additional information, please visit the firm's website at [www.blackrock.com](http://www.blackrock.com).

## Want to know more?

 [blackrock.com/DC](http://blackrock.com/DC)

\* BlackRock.

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