

# Boosting the effectiveness of retirement plan communications



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# Boosting the effectiveness of retirement plan communications

Cutting back on jargon and delivering communications where participants want them can help put employees on the right track

A WHITE PAPER

## On “safe words” ...

There are several terms that a majority of respondents report understanding such as *contribution, enroll* and *rollover*.

## On financial jargon ...

With small tweaks, jargon can be understood. An example is to use the term *employer match* instead of *match*.

## On communication methods ...

Personal email is preferred over all other means of communicating.

Words have the potential to inform, encourage and empower. But the wrong words can be powerful in negative ways, leaving people uncomfortable, overwhelmed or confused. Using the right words is especially critical in financial matters. Employees need to understand their retirement plan options so they can make the best decisions for their future, but the general public often misunderstands words that are commonly used by financial providers, employers and others in the retirement planning industry.

In fact, original Empower Retirement research has found that many terms frequently used in the industry simply don't make sense to savers. However, the research also revealed some good news: Even small tweaks can help break down complex ideas and make important financial information accessible to plan participants. Employers can support their participants by making their retirement communications easy to understand and free from jargon, then delivering them via the method of communication employees prefer.

Below we explain why commonly used language in financial information is difficult for many readers to digest and offer research-backed tips on boosting clarity.

## How jargon hurts

Think back to the last time you watched a court proceeding on TV or went to the doctor's office. You probably heard some words whose definitions you didn't know with certainty or maybe at all. Those words may have sounded highly technical — something you'd refer to as jargon.

Every profession has its own set of jargon. For professionals working within a particular field, that trade-specific lingo is a sort of shorthand that gets the point across quickly to colleagues who share that language. But to an outsider, the language can be alienating. (See *A jargon grab bag below.*) Jargon is particularly troublesome because industry insiders often don't recognize when they're using it.

Now consider some of the words typically used in workplace retirement plan communications, such as *contribution* or *match*. These terms are readily understood by employers, service providers, consultants and the business media. But how do employees view these words?

Consider the following examples of plan terms that have different meanings in common use:<sup>1</sup>

- **Contribution**  
Gift or donation to charity
- **Match**  
Athletic competition or dating service;  
something to light a fire with
- **Deferral**  
The act of putting something off until later
- **Allocation**  
Amount expected of an item in short supply
- **Election**  
The process of choosing political candidates
- **Distribution**  
How companies get goods to consumers
- **Rollover**  
A trick one teaches their dog
- **Vehicle**  
A car or truck

When it comes to retirement planning, all of these terms have meanings that are completely out of step with the definitions most people associate with them. Such multiple meanings can cause confusion and create barriers to confident decision-making.

### A jargon grab bag

Words and phrases with specific meanings in one field can be impenetrable to people outside that field. Consider the following examples:

Term	Industry	Meaning
NPO	Medicine	A patient should not take anything by mouth
Due diligence	Business	The practice of researching before making a business decision
10-4	Radio	"Okay" or "I understand"
PCS	Military	Permanent change of station
SCOTUS	Politics	Supreme Court of the United States

<sup>1</sup> Jim Phillips, MarketWatch, "Decoding your 401(k) plan's ridiculous jargon," November 2013.

## Bridging the gap in understanding

For employees choosing savings strategies for retirement and trying to make sure they'll have enough to live on, the stakes are high. It's important for financial providers and employers to know what employees understand and how best to communicate with them.

We conducted three studies spanning 12 months to find out what individuals understand, and what they don't, when it comes to financial and retirement-industry jargon. (See below.) We also asked about preferences for retirement plan communications. Our goal was to find out how to communicate more effectively with plan participants.

### Our communications research included:

- A 2017 online survey of 2,000 Americans who are 21+ years old and participating in their employers' defined contribution plans.
- A 2018 qualitative online focus group of 30 workers participating in their workplace retirement plans and representing millennials, gen Xers and baby boomers, asking for feedback on terms.
- A 2018 quantitative online survey of 1,000 Americans who are 21+ years old and participating in their employers' defined contribution plans.

Overall, we found many commonly used industry terms don't make sense to their intended audience. For example, 66% of respondents don't understand what "rebalancing investments" means. A similar percentage — 69% — is unclear on the meaning of "asset allocation."<sup>2</sup>

Millennials in particular found financial terms difficult to understand. This finding is consistent with academic research that shows younger age groups scored the lowest on both objective and subjective tests of financial literacy.<sup>3</sup> For example, 63% of millennial respondents found the term "plan participant" to be unclear compared with 44% of total respondents.

<sup>2</sup> Empower Retirement Employee Thought Leadership Research - June 2017, Market Strategies International, N=2000, 21+-year-old workers participating in their employers' defined contribution plans.

<sup>3</sup> Xiao, J. J., Chen, C., & Sun, L., "Age differences in consumer financial capability," *International Journal of Consumer Studies*, 39(4), 387-395, 2015.

## Percentage of respondents who found the terms unclear

### Total

#### % Unclear

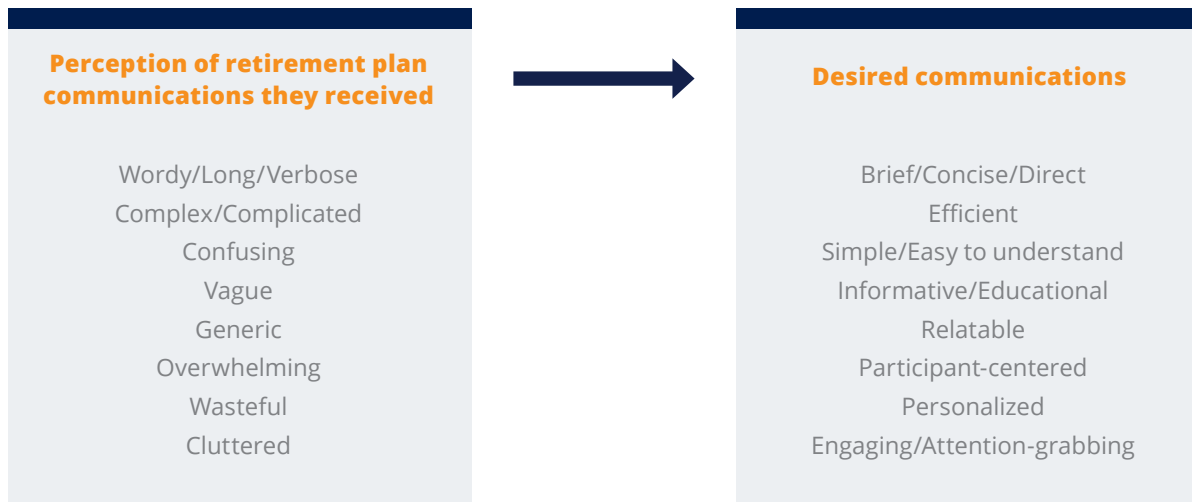
Defined contribution retirement plan	76%
Social Security optimization	77%
Registered investment adviser	76%
Rebalancing investments	66%
Asset allocation	69%
Managed account service	68%
Plan participant	44%

### Millennials

#### % Unclear

Defined contribution retirement plan	88%
Social Security optimization	83%
Registered investment adviser	82%
Rebalancing investments	70%
Asset allocation	69%
Managed account service	67%
Plan participant	63%

Given the lack of clarity across age groups, financial providers clearly have room to improve how they communicate about workplace retirement plans.<sup>4</sup> And it's not just the vocabulary: Workers are also looking for higher quality retirement communications overall. Respondents consistently stated the following preferences:



<sup>4</sup> Empower Retirement Employee Thought Leadership Research – August 2018, Q8 Research LLC, N=1000, 21+-year-old workers participating in their employers' defined contribution plans.

## Improving communication about retirement

As part of our efforts to understand which terms best convey the intended meaning, we showed respondents more than 20 common retirement planning concepts and asked them to select the most appropriate term for each concept from a list of terms. Ultimately, we found that terminology preferences vary. While there was no single term that was universally preferred for each concept, some general preferences did emerge.

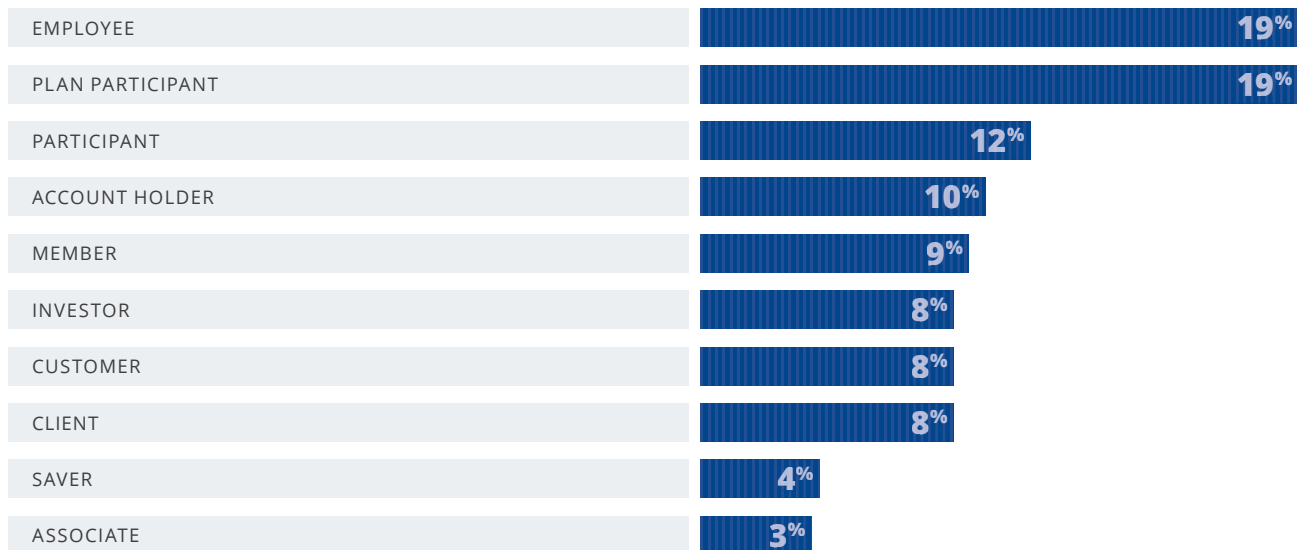
Consider the following examples:

### Concept

An employee with a workplace retirement plan

Options	Preferred terms
Employee	<b>Employee (19%)</b> <b>Plan participant (19%)</b>
Plan participant	
Participant	
Account holder	
Member	
Investor	
Customer	
Client	
Saver	
Associate	
Other	

## Preferred term used to describe employee with a workplace retirement savings plan



## Concept

The amount your employer puts into your workplace retirement account based on some or all of the amount you save

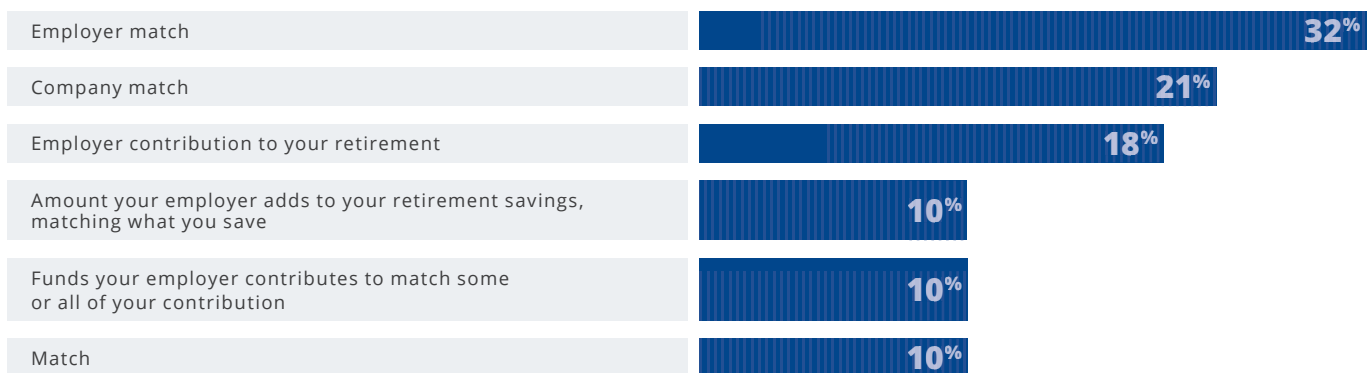
### Options

Employer match	Funds your employer contributes to match some or all of your contribution
Company match	Match
Employer contribution to your retirement	Other
Amount your employer adds to your retirement savings, matching what you save	

### Preferred terms

**Employer match (32%)**

## Preferred term for amount your employer puts into your workplace retirement account based on some or all of the amount you save



## Concept

The percent of your paycheck you save in your retirement plan

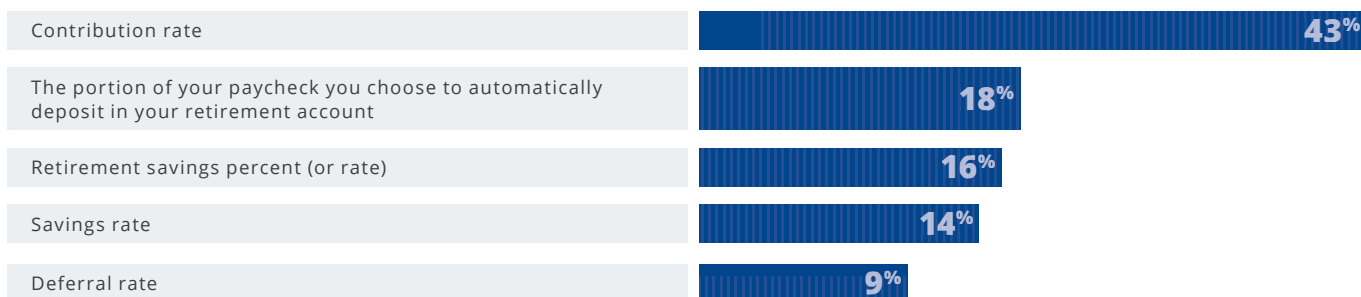
### Options

Contribution rate	Retirement savings percent (or rate)
The portion of your paycheck you choose to automatically deposit in your retirement account	Savings rate
	Deferral rate
	Other

### Preferred term

**Contribution rate (43%)**

## Preferred term for the percent of your paycheck you save in your retirement plan



For a complete list of preferred terms, see the table at the end of this paper.

Though the survey revealed occasional differences in preferences based on age, in most cases, respondents' preferences were consistent across age groups. Ultimately, we found terms that individuals across age groups understood. Based on these findings, we created a list of "safe words" — words and phrases we believe individuals would prefer to see in communications from their workplace retirement plans.

### For instance, the majority of individuals understood these terms:

Contribution	Retirement income
Enroll	Retirement readiness
Rollover	Withdrawal strategy
Allocation	Registered investment adviser

**We also found that small tweaks can improve understanding. Sometimes just a few additional words can help explain a term that people otherwise find confusing. For example, we added the bold words in the phrases below to help more employees understand these terms:**

Employer match	Managed account or <b>Professional account management</b>
Assets or <b>Retirement savings and investments</b>	

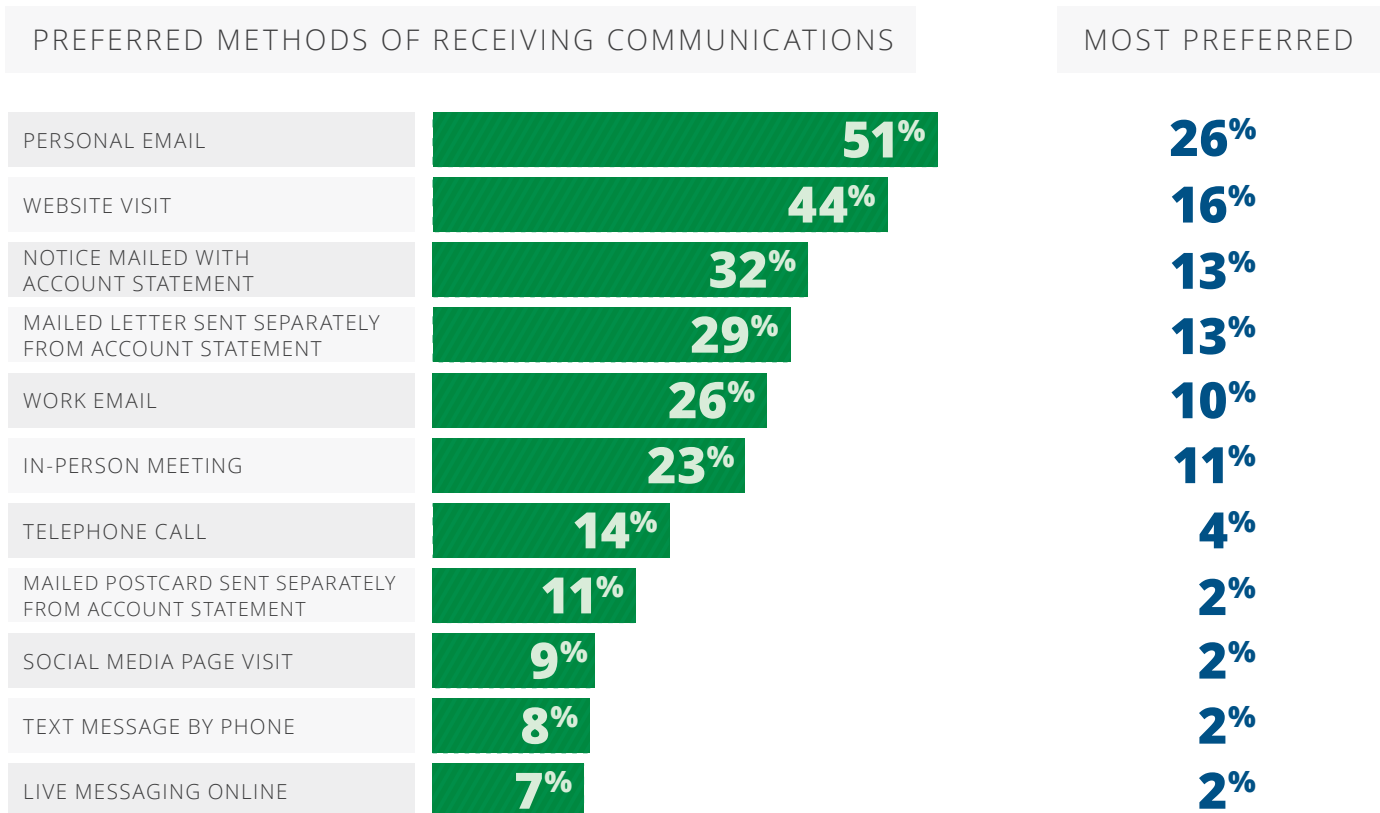


## Reach your audience

Effective communication considers not only how you say something, but where and when the message is received. If you deliver a message to a place where employees aren't looking, the message won't matter, no matter how well it's constructed.

That's why we asked survey respondents how they prefer to receive messages about their retirement plan. Personal email topped their responses both when we let them choose as many methods as they would like and when they had to select the most preferred method. One important finding: Only 26% of respondents said that work email is a preferred method for receiving plan communications, and even fewer chose it as their most preferred method.

Employees may prefer to get plan information via their personal email because that inbox is also home to their other financial communications, such as bank statements. Receiving plan information in the same place may make it easier for employees to think about their household finances, including retirement, in a holistic manner.



## The importance of clarity

Financial matters are complex and confusing for many people. When the communications surrounding them are difficult to understand, topics only become more overwhelming.

Our research shows that many employees find common finance language lacks clarity. Consider whether the terms you're using might be considered jargon to industry outsiders, and focus on simplifying language whenever possible.

Also make sure you're reaching your audience where they are — whether that's by email, on your website or somewhere else. In some cases, you may have to seek permission to communicate with employees via their personal email. Using the platform your readers prefer is a key step in helping them act on the information they need.

By providing clear information via the methods your employees prefer, you can help them be well-informed about their options and confident in their decisions.

### Concept

### Preferred term

Employee with a workplace retirement savings plan	Employee OR Plan participant
Group one calls with questions related to a workplace retirement plan	Customer service
The amount you put into your workplace retirement account from each paycheck	Contribution
The amount your employer puts into your workplace retirement account based on some or all of the amount you save	Employer match
The percent of your paycheck you save in your retirement plan	Contribution rate
Enroll in your retirement savings plan	Enroll
A plan offered through your employer in which you contribute a portion of your income, either before tax or after tax. Your employer may also contribute to your account.	Retirement savings plan
Accounts that include workplace retirement plans and IRAs	Retirement savings accounts
How you invest your workplace retirement plan savings	Allocating your assets OR Allocation OR Investment mix
Retirement resources with economic value	Retirement savings and investments
For a fee, you can select an account where your workplace retirement plan savings are managed for you by a professional	Professional account management
Periodically, you may need to modify how your workplace retirement plan savings are invested (e.g., % in stocks, bonds and cash) to reflect your choice/investment needs	Rebalance your investments to ensure targets are met OR Rebalance to ensure investment mix is in line with your goal

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