

Rethinking Participant Education

Improving participant education and retirement readiness has been a goal of the industry and on the to-do lists of lawmakers for years. With employer-sponsored defined contribution plans replacing pension and social security benefits as the primary retirement savings vehicle for many American workers, participants are in control of saving for their future. Many participants, however, do not feel they have the tools and information needed for success.

In 2013, Schwab Retirement Plan Services partnered with maslansky + partners, a communications strategy and language research firm, in search of a better strategy for increasing retirement plan participation and engagement. In focus group studies, they analyzed participants' immediate, emotional reactions to current 401(k) materials and alternative messages. Their findings concluded that a communication gap exists between the message conveyed through current participant education and the information participants want to receive.¹

Major Pitfalls in Participant Education

Is participant education missing its mark? A common shortcoming in participant education today is that it tells participants what an average participant "should do". Education should not be a generic, one size fits all approach. It should empower participants with tools and information needed to become independent, knowledgeable investors. No one can understand the unique situation and needs of a participant better than the participant.

"I get a 30-page pamphlet every 30 days...I think it's about 'perspectives.' What I should do, or could do, or something...I tried reading it once but gave up."

-Focus Group Participant

In current investment education, we often see a focus on sales rather than what is in the participant's best interest. For example, a financial advisor may guide participants to invest in proprietary funds in the Plan because the advisor will reap the benefit of the fund's management fee. Some advisors will spend time constructing a long term plan with participants who have significant account balances, including the sale of ancillary products, but may push participants with lower balances into target date funds. The advisor tells the participant what they should do, but it may not be in their best interest and can ultimately have a negative long term effect on their savings. The advisor's bottom line or sales strategy should never be the driving force behind participant education; the needs of the participant should always take the main stage.

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Participant education should empower participants and give them the tools and information they need to successfully plan and save for retirement - but how?

¹ Schwab Retirement Plan Services, Inc. in conjunction with maslansky + partners. Designing Language that Builds Relationships. January 2013.

Knowledge is Power

The average participant is not a “financial guru” who finds investing to be an exciting topic. The average participant wants to successfully plan and save for their retirement with ease. They need information that they understand and can use to plan their personal savings strategy. It is the difference between giving a man a fish and teaching him to fish, as described in the age-old proverb. If participants are educated on the basics of investing such as the importance of diversification, understanding personal risk tolerance, and the basic asset class characteristics, they are empowered to be knowledgeable, independent investors. This education can, and should, take many forms from group enrollment meetings and education sessions to online, easily accessible articles and investment guidance tools.

Paint a Picture of Retirement

Saving for the future is hard when we can think of several ways to use the money today. Often, we see retirement as an event, but it is just the beginning. With life expectancies increasing, participants must understand that their savings needs to last. To help participants understand this necessity, ask them to imagine the life they want to live in retirement. This will help participants to not only see the need to save but also the necessary longevity of their savings to secure the quality of life they desire in retirement. Once participants know why they are saving, they need help getting there. At Ekon, we afford participants the use of GuidancePlus which includes a Strategy Builder, allowing them to customize their personal path to retirement. Coupled with easy to access, unbiased education, participants are empowered to take charge of their retirement future.

Unbiased Education

A sales strategy does not belong in participant education. All education and information should be in the participant’s best interest and given by unbiased advisors. On that same note, the quality of education should be the same for all participants, regardless of the amount of assets they have in the plan. The new employee who just started saving deserves the same high quality education that the owner of the company receives. For participant education to be affective, the focus must be on the best interest of each participant.

Keep it Coming

While the basics of investing do not frequently change, rules and regulations are constantly changing. Educational meetings should be on a periodic basis, as the need arises. Saving for retirement is an ongoing process, participant education should be as well. As previously mentioned, the average participant does not think investment education and savings strategies are thrilling subjects. Ongoing education will allow participants to become more comfortable with the topics and increase their knowledge-base over time.