Association of British Insurers

ABI Long term Savings

Communications through the life course

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The policy success of automatic enrolment (AE) is hard to exaggerate. Successive governments and regulators reversed the pension savings decline and massively increased the number of people saving. They have done so by channeling the power of inertia. As was recognised in the 2017 review of AE, the next great challenge is how to move these 10 million people from being inert savers to engaged savers.

The body of evidence from regulators and pension policy bodies suggests that written communications currently sent out by pension schemes and providers, mandated by regulations, often have limited impact on consumers' level of engagement. The implementation of pension freedoms has given consumers greater control over their money, but also given them the responsibility for taking key decisions regarding it. If schemes pursue a compliance-focused approach to communicating with their savers about their pensions, then the risk is that consumers will continue to not engage with saving for their retirement.

Rather than just focusing on regulatory requirements, schemes and providers can segment their customers and target them with communications that are most relevant to them, and some firms are already doing so. This can be delivered in a meaningful way, which supports the wide range of other communications initiatives that are ongoing. The more a provider knows about its consumer base, the better placed it will be to do this, and there are relatively simple actions that could be taken to better tailor communications to people's circumstances as they change over their life course.

Providers could seek to tailor their communications based on:

- Age groups
- Levels of pension saving
- Teachable moments

Each offers different ways to engage consumers through segmentation and tailoring. Giving consumers the right message, at the right time, over the right channel can drive profound change. In an ideal world all three methods could be used to create communication programmes that relate to the age of the consumer, the stage of their pensions journeys they are on, and which are delivered at the moment they are most likely to be successful. By communicating with consumers in a targeted and effective manner, providers can build on the success of AE to make sure that consumers are not only enrolled, but engaged.

Background

This document follows on from a previous ABI publication, Interventions in the Retirement Market. To mark the 3rd Anniversary of Pension Freedoms, the ABI published a document setting out 5 Retirement Interventions to help consumers make the most of their retirement savings.

1. Tailored and phased customer communications
2. Mid-Life MOT
3. Prompting more people to use guidance
4. Making retirement risk warnings fit for purpose
5. Improving in retirement communications

Alongside some specific recommendations these interventions were designed to create a safer environment where consumers are given information they are to engage with at the time when they are most likely to engage with it.

Objective

This guide aims to help employers, providers and pension schemes implement the first Retirement Intervention, providing tailored and phased communications. Meaningful engagement comes from a situation where consumers are given the right information at the right time through the channel that is best suited to them. In order to do so it is increasingly important that providers and schemes treat consumers as individuals rather than taking a one-size-fits-all approach. This means segmenting based on the information that providers hold on consumers and fine-tuning the messages that go out at different life stages.

This guide covers three methods of segmentation which can be used individually or together. If consumers are engaged in an age-appropriate way at teachable moments that put the size of their pots in context it should be highly effective. But any one of the methods could be used to help.

Tailoring messages to different age groups

Whilst age is not a perfect proxy for wealth and financial capability, it is one that can be easily implemented by schemes of a variety of sizes. People of the same generation will be entering the job market at similar times and will be automatically enrolled at similar times.

There are a number of statutory communications that have to be sent to consumers, but these should not be seen as the only opportunity to put these messages forward. Different channels will be more applicable to different cohorts and all opportunities should be taken to deliver positive messages.

GETTING STARTED (18-25)

The focus of communications in this age group should be on laying the groundwork for future capability, by increasing confidence over time and creating a culture of saving that starts early. Communications should be simple and practical, imparting key pieces of information without overburdening.

A variety of channels could be used including web chat and online resource portals. Communications in this generation can be about reassuring them that no action needs to be taken, in essence reinforcing the nudge of automatic enrolment by validating their decision not to opt out. These communications should adhere to the ABI's simple language guide.

A Schroders study found 18-35s to place greater importance on Environmental, Social and Governance (ESG) risks. With new rules on the horizon which would oblige schemes to publish their ESG policy and principles, communicating these investment priorities can help engage consumers.

Purpose of communication

- Reinforce the default to saving, reassuring the consumer that no action needs to be taken.
- Provide basic information about the nature of DC.
- Provide links to guidance.

Examples of key messages

"You've just started saving for retirement, you don't need to do anything just yet, just keep saving to help future you!"

"The money you save now will be added to by your employer and the government and invested. So sit back, relax and watch it grow."

"We make sure that your money is invested in a way that protects the environment and reduces carbon emissions."

BUILDING YOUR SAVINGS (25-40)

People in this age group tend to have higher levels of financial literacy than their younger counterparts, but many of them are either under-saving or are yet to start. This is a large cohort that varies widely, but the focus of communications should be consistent, that saving into a pension is value for money and that the sooner you start the easier it will be.

Purpose of communication

- Reinforce the value of the employer contribution.
- Signpost to appropriate information sources.

Examples of key messages

"When you pay into your pension your employer does too. The Government adds what you would have paid in tax to help you save for your retirement."

This is also a period where providers should be seeking to consolidate their pensions knowledge and manage their retirement savings well.

"If you've moved employer recently, you've probably changed pension provider. It could be worth your while putting all your pensions in one place."

TAKING OWNERSHIP (40-50)

Communications for this cohort could include rules of thumb, and targets based on what people would want to do in retirement and the peace of mind that can be gained from saving early. These targets could be numerical rules of thumb like 12% of your earnings or on the basis of a basket of goods as is proposed by the Pensions and Lifetime Savings Association. Specific messages could also be based around moving jobs and re-enrolment. This should inform consumers about what they could do, such as saving more and consolidating pensions.

Purpose of communication

- Start to set targets for consumers' standard of living in retirement.
- Take stock of where you want to be and what you need to do to get there.
- Signpost to guidance and encourage consolidation.

Examples of key messages

"If you've had a number of jobs over your career you'll probably have a lot of different pensions. Putting all your savings in one pension could help you keep track of it."

"To afford a good standard of living in retirement you need XXX, you are currently on track to achieve this at age 72, it can be sooner if you save more."

MAKING A PLAN (50-STATE PENSION AGE)

This cohort is likely to be more aware of retirement decisions and can therefore be given more direct messages about their savings, the products available to them and the choices they will need to make.

They are also eligible for free guidance from the Money and Pensions Service and should be encouraged to use this service. It is also likely in future that this cohort will be able to benefit from a Mid-Life MOT provided by their employer which should raise their financial capability. In addition to this, as a result of the FCA's Retirement Outcomes Review, people in this age group will receive one page 'wake up packs' that will give them a clear call to action.

Purpose of communication

- Encourage consumers to actively start planning for retirement and rectifying any savings shortfall.
- Introduce the products that they will shortly make a choice between.
- Prompt consumers to use guidance as a norm.
- Encourage consumers to book a guidance session soon after their 50th birthday.

Examples of key messages

"We recommend you talk to the Money and Pensions Service, you are entitled to an appointment with them and they can help you make sense of retirement."

"From age 55 you will be able to access your pension, but that doesn't mean you should. This money has to last a lifetime."

"You have a lot of choices in how to use your retirement savings: guaranteed income for life, flexible access, and partial withdrawals are all options."

OLDER AGE (STATE PENSION AGE AND ABOVE)

Consumers in this cohort have most likely taken their initial retirement decisions and communications should focus on ensuring that these decisions are still appropriate and that they are continuing to get value for money. The FCA 's proposals regarding a single figure for the cost of drawdown should help inform this area.

Purpose of communication

- Use simple terms to explain how investments have performed and the impact on income.
- Help consumers decide how much to withdraw.
- Remind consumers who are still invested that they still have choices they can make.

Examples of key messages

"Your pension fund is invested and can grow or shrink over the year."

"The average consumer in your position used X% of their pension fund per year."

"As you get older you might want to consider buying a guaranteed income for life."

case study

AVIVA

Aviva

The Mid-Life MOT has been designed to support Aviva's growing population of over-45s. It invites employees to take time out to consider their **wealth**, **work** and **wellbeing** at this point in their lives. Importantly, the Mid-Life MOT is not a pre-retirement workshop. It could described as an "anti-retirement" workshop! It's about supporting fuller working lives.

A pilot found that the Mid-Life MOT boosted confidence, awareness of where to turn for help, and appreciation of Aviva as an employer for all ages.

Mid-Life MOT on a page

THREE ELEMENTS OF MID-LIFE MOT GUIDANCE

Face-to-face, guide, and online support.

Wealth

To understand why wealth matters in mid-life.

To learn how Aviva can help with:

- Assessing our position today
- Preparing our plans for tomorrow
- Finding more help

Work

To understand why work matters in mid-life.

To learn how Aviva can help with:

- Smart working
- Phased retirement
- People politics
- Employee benefits
- Performance
- Learning & Development
- Aviva Communities
- Location news

Wellbeing

To understand why wellbeing matters in mid-life.

To learn how Aviva can help with:

- Being healthy
- Being mindful
- Being secure
- Being awesome

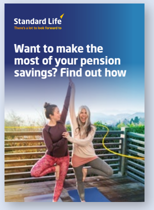
Standard Life
There's a lot to look forward to

Supporting your employees as they plan for retirement

We're committed to helping your employees take the right steps to plan their future. With more choice and flexibility available, they have more decisions to make when it comes to taking money from their pension savings. It's important to us that your employees have access to the right support and guidance to help them choose the path that best suits them.

Automated communications. Triggered by age or SRD.

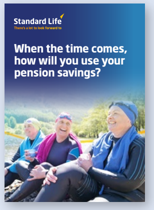
Milestone birthday age targeted communications



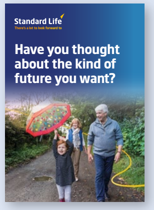
Age 49

Age 54

Age 59

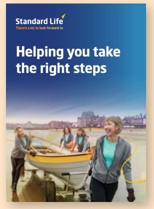


Age 64



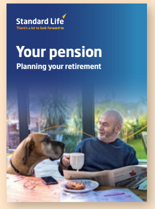
Age 69

SRD targeted communications



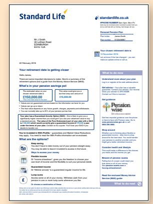
2 years

18 months



1 year

31 weeks



10 weeks

Mandatory communications

Monthly MoneyPlus email. Expert tips, useful tools and guidance

Support & guidance

Targeted face-to-face events **Retirement events and follow up communications** Webinars – open to all

Dedicated retirement hub – Tax guidance **standardlife.co.uk** Planning tools, guides and calculators

View payments and value – Project retirement income – Set-up drawdown – Book a webinar **Online services**

Standard Life pension consultants

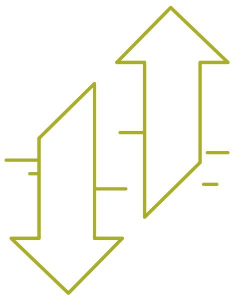
Financial Planning

Tailored financial advice – help achieving goals **1825** Personal service backed by global expertise – part of the Standard Life Aberdeen group

Teachable moments

A growing body of evidence shows that one crucial way that providers and schemes can maximise engagement and consumer benefit is by linking communications to life events.

Certain circumstances create a “teachable moments” where the likelihood of engagement is significantly higher. As society we are living ever more diverse lives, but there are still some common features and experiences. These experiences can be categorised and used to better engage with consumers. Teachable moments can be divided into three broad categories.



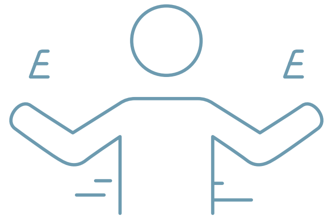
MOMENTS OF TRANSITION

One of the reasons why consumers do not want to engage with their long-term savings is that they have to take decisions about options they do not fully understand. When presented with the option of making a change, the temptation to stay as you are is considerable, even if it will be to your long-term detriment. Moments of transition represent situations where change is already part of the equation and making further decisions may not be as intimidating.

These can include:

- Leaving full-time education
- Getting married
- Moving home
- Starting a family

Some of these transitions could result in specific messages being appropriate and could be prompted by specific data points. If someone changes an Expression of Wish form to add a child then they could be in a place to think more about the future and likely to be susceptible to messages around saving for the future.



FINANCIAL DECISIONS

The UK ranks below the OECD average when it comes to financial capability. This means that there is a significant portion of the population for whom the decision to save more is intimidating. Research also shows that decision-making experience makes consumers less afraid of making financial choices. This means that the point at which people make financial decisions can be a good time to prompt them to make further choices as their confidence will be growing.

These moments can include:

- Buying a house
- Changing employer
- Managing debt

The confidence that consumers gain from making proactive financial decisions should be utilised.

FINANCIAL SHOCKS

Engagement should not only be used as a way to encourage consumers to contribute more. It should also be utilised to help consumers to mitigate situations where they may become vulnerable and make financial decisions that will be detrimental in the long term. At moments of stress, consumers may be likely to reduce contributions, avoid long-term planning or potentially access their long-term savings in an inefficient way. The right engagement at the right time can help protect consumers from these risks.

Such financial shocks could include:

- Bereavement
- Divorce
- Becoming unemployed
- Funding long-term care

Many of these moments can be captured by data points that providers already hold, e.g. changing of surname evidenced by either marriage or divorce certificate or a consumer updating their address. This means that providers and schemes should be able to take these teachable moments into account when building an engagement strategy and segmenting their savers.

HARGREAVES LANSDOWN

Hargreaves Lansdown

As of May 2019, global insurance and investment organisation Starr Companies has reported **90%** engagement among members of its workplace pension, which was launched in October 2018.

The organisation's new group pension, provided by Hargreaves Lansdown, was launched in response to the need for staff to take a more active approach to planning for retirement. The new pension scheme also provides Starr Companies with the ability to create tailored communications campaigns, such as messaging about contributions around the time of scheduled pay reviews.

BEFORE

8%

were choosing their **own** investments **Before** the new product was launched

AFTER

29%

are now choosing their **own** investments **since** the launch of the new scheme

The new scheme also provides individual accounts for employees to save into

85%

of Starr Companies employees are currently paying into their pension at more than the base contribution level

Starr Companies reports that **8%** of employees are now saving alongside their pension

39%

have transferred an old pension

47%

have logged in to view their pension online

Pot Size

The way in which providers communicate with consumers depends to a large extent on the services being provided and the relevance that has to consumers' lives.

This is as true with pension pots as it is for other services. A consumer is much more likely to find an £80,000 pot of relevance than they are an £800 one. Many DC pots are currently small, but the nature of automatic enrolment means that more and more consumers will have pots with larger amounts of money in them. Differentiating communication by how much money someone has saved is a logical addition to the engagement journey.

A study by Optimisa Research for the ABI in 2017 found that a personalised message about the potential gain from a modest increase in contributions resonated strongly with all audiences - for example, "Increasing your contribution by 1% of your salary in each of the next five years will add at least £32,000 to your pension in 20 years."

Equivalent worth

One device which has been shown anecdotally to be effective in comparing the amount of long-term savings a consumer has to other large financial outlays they have made. This allows providers to put the steady growth of savings in an easily visualisable way. This has reportedly been effective in Australia. Consumers could be notified when their pot is:

- More valuable than their car
- More valuable than the average house in their area
- More valuable than their annual salary

These sorts of comparisons need to be placed in context, however, as they could lead to consumers falsely believing they have saved enough.

Compare to peers

Another way in which pot size could be used to better engage consumers is by comparing them to their peers. Having an understanding of the level of pension savings that their peers have can place in context what actions need to be taken. This approach could be based on age, income or even profession. Example messages could include:

"People have on average saved XX by the time they are 35, how close are you to the average?"

"Most people in your company take advantage of matching contributions, why don't you?"

Consumer research has frequently shown that one of the reasons consumers fail to engage with their pension is because they do not see it as their own and do not see it as an asset. The size of the pot can change this and illustrate the value that it represents.

case study

Royal London

Before the Retirement Outcomes Review was concluded, Royal London already had concerns about how customers were communicated with in the run-up to retirement. The regulatory standard was not enough so they sought insight to better inform that process.

Their initial research told them many customers approach their retirement with feelings of anxiety and doubt. Indeed these feelings are only amplified when customers experience the standard 'wake up' process. Royal London believes this doesn't give anyone enough time to make informed decisions and could in fact be driving poor behaviours.

To help customers take some confident steps towards their retirement, they chose to move away from the industry norm. Instead they are now taking them on a journey which starts five years before their chosen retirement age.

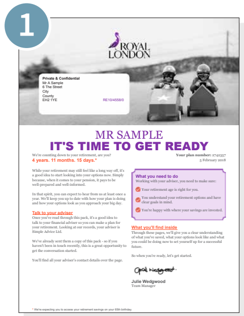
Each year they now receive an engaging pack with a call to action. This fresh approach was fully endorsed by their second phase of research where customers felt far more empowered about their options. And with a greater understanding on board, they are much more likely to seek financial advice.

They have already put in place part of this new engagement approach for over 1 million customers which together with improvements to annual statements ensure a lifetime journey is fully in place for a significant part of their customer base. Once they fully assess the impact of this approach, they will be considering how and when they can increase the customer coverage across Royal London Group.

Written communications examples included:

1. 5 year example - running annually until 2 years out
2. 2 year example - issued 2 years and 1 year before retirement
3. 6 and 3 month example – issued 6 months and 3 months before retirement
4. Our Retirement Options Guide.

1



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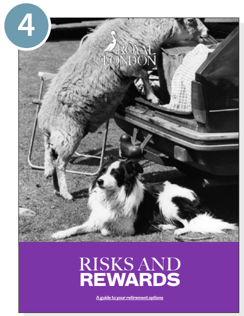

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References and further reading:

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Consumer Engagement: The role of policy through the lifecourse, Pensions Policy Institute, 2017
Hitting the Target: A vision for retirement income adequacy, Pensions & Lifetime Savings Association, 2018

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