Reframing Pension Savings

Helping the ABI find ways to make sure consumers better understand the value of saving for a pension and feel motivated to save more

RESEARCH REPORT

Prepared for:

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Prepared by:

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FOREWORD

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Engaging people to save adequately for their retirement is one of the biggest public policy challenges we face. With automatic enrolment dramatically increasing participation in workplace pensions, it is more important than ever that savers have a strong understanding of their pension and the significant value it can provide. However, defaulting people into saving, which is part of what has made automatic enrolment the success that it is, has also meant that our customers are often not as engaged with their pension as they should be.

This is why we are delighted to have worked with Optimisa Research to better understand how the benefits of saving into a pension can be communicated. We asked savers to tell us what motivated them to save and tested messages to both improve understanding of and incentivise pension saving. The findings show that while people can feel detached from their pension, there are messages which cut through. Savers respond to simple visuals, they value tangible demonstrations of what an increase in their pension contributions can equate to and they benefit from a reminder of their likely State Pension provision.

There are lessons within this research for both industry and policy makers. We need to simplify the messages and language we use across the sector and to review our regulatory rules to enable communications to be digital, simple, visual and personalised. Given our customers are likely to have pensions from multiple providers it would benefit both government and industry to use language and communication styles which not only motivate people to save and improve understanding, but which also do so in a consistent manner.

The focus on engagement within this year's Automatic Enrolment Review is the perfect opportunity for the pensions sector to explore how we can improve the way we communicate with our customers and we hope this research will be useful contribution to this important discussion.

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1 EXECUTIVE SUMMARY

Earlier this year the Association of British Insurers (ABI) commissioned Optimisa to conduct research to test and develop a number of different messages designed to communicate the benefits of saving into a pension. An iterative approach was taken, incorporating three stages of research; a stakeholder workshop followed by a 'Dragon's Den' consumer panel to test some initial messages, a core qualitative element with a mix of focus groups and depths, and finally an online quantitative survey. All of the messages tested in the final stage were able to improve consumer understanding, and the earlier stages provided a great deal of useful insight into which types of messages do and do not work and why.

When discussing the broader context of pensions, retirement feels far off, pensions feel more conceptual than real, and very few people think of their pension as something belonging to them personally. While the high level benefits are generally recognised, detailed knowledge of employer contributions, tax benefits and other factors is limited. Only 3% of those spoken to know what their personal contribution is in monetary terms, and other areas of knowledge are equally patchy:

- 50% find pensions confusing
- 22% are unaware of their contribution level
- Fewer than half spontaneously recognise matched employer contributions as a benefit
- Only one in four recognises the benefits of tax relief

For many, having any kind of pension is good enough. Consumers of all ages and levels of financial confidence find it hard to give their pension the attention / priority it deserves; making people think about it is just as likely to bring into question the affordability of contributions as it is to encourage increased levels of saving.

Having said that, some of the message tested showed that improving consumer understanding of certain elements can have a positive impact.

Spelling out the components that make up a pension makes it very clear that not saving into a workplace pension means missing out on employer contributions and tax relief; our tendency to wish to avoid financial loss is a compelling motivator for joining or staying in a scheme. The research showed that the most effective way of explaining the components is to use a strong, simple visual such as a stacked bar chart.

Written descriptions lack the same impact and language can itself be problematic. Words such as 'free' or 'bonus' or phrases that can be construed as trivialising a serious topic e.g. 'your pound doubles' are often seen as gimmicky and inappropriate for pension communications. While most recognise the ease and convenience of having a workplace pension set up and administered by their employer, anything that downplays the employee's role in paying into a pension can irritate. A message suggesting that your 'employer does it all for you' was met with derision and sarcasm.

Although engagement with workplace pensions is generally low, consumers who are more involved and/or knowledgeable are quick to identify misinformation or inflated promises; care needs to be taken when communicating elements around growth, projection and government contributions. Some felt that saying the government 'contributes' or 'gives you' XYZ is not a clear or accurate description of tax relief; a minority found it duplicitous**.** Explaining why the government helps people save into a pension is likely to be more positively received as it will be seen as more transparent.

There is some scepticism around pensions and people are looking for reassurance, but ***communicating that pensions are regulated is not as comforting as it can be in other sectors***; little is known about what regulation means for pensions and communicating it without providing a lot of detail does more to exacerbate than to mitigate concerns.

Messages referencing the current State Pension polarise responses but are generally considered important. They are also motivating when framed positively and sensitive to different income levels and circumstances. The 'save more or cut back' equation is not helpful – the opportunity to live more comfortably is more compelling

There is appetite for greater clarity as to what pension savings will equate to, although for some the provision of hard figures is upsetting; future predictions need to demonstrate gains to be motivating.

Communicating the potential for a good uplift in pot value is seen as a compelling reason to increase contributions. 31% of those surveyed quantitatively said they would consider increasing their contributions having read the message: *Increasing your contributions by 1% of your salary in each of the next five years will add at least £32k to your pension in 20 years'.*

2 INTRODUCTION

2.1 Background to the research

Over the last few years a raft of changes have taken place across the pensions industry, with the aim of addressing the ever increasing gap between levels of saving and the level of income people need to support themselves in retirement.

The first major change was the phased introduction of auto-enrolment (AE) for workplace pensions. One of the most significant aspects of AE is that pensions are set up using an ‘opt-out’ process not an opt-in as used to be the case with workplace pensions. Another is the requirement for a minimum contribution level (made up of a mix of mandatory employer contributions, income tax relief and employee contributions). The level is set to increase over the next few years, reaching a minimum of 8% - by late 2018. The second major shift was the Pension flexibility reforms which came into effect in April 2015. With AE engaging consumers with pension saving earlier than might otherwise have been the case, and people having more choice, the hope was that going forward people would have adequate income in retirement.

It is widely recognised that many people aren’t engaged with their pensions and consequently don’t understand tax relief. A better understanding of tax relief, as well as greater awareness of the availability of matched employer contributions, could well encourage people to save or to save more. At the same time, there is some concern that the introduction of the Lifetime ISA (LISA) – with a different tax structure and no employer contributions – may make it more difficult for people to make a simple comparison between the benefits of saving into a pension vs. saving into a LISA.

The ABI has been following consumer reactions to these changes in the pensions landscape and wanted to see if there was a consistent way of talking about pensions that would help consumers to:

- better understand the benefit of saving into a pension
- easily and accurately compare saving into a pension with other savings products - including the LISA
- feel motivated to save more

2.2 Objectives, aims and how the results will be used

The overarching aim of the project was to test and develop a variety of messages to gauge their potential for helping consumers understand pensions better and feel encouraged to save more. Specifically, the research evaluated the extent to which a range of different messages could help in terms of:

- **Understanding** – Does the message improve consumers' understanding of how a pension works?
- **Reassurance** – Does it reassure readers that pensions are worthwhile / minimise the risk of people opting out of their AE pension?
- **Appreciation** – Does it position pensions in a favourable light relative to other savings products?
- **Encouragement** – Does it encourage readers to do anything, i.e. contribute more than the statutory minimum?

The findings from the research will be used to guide future communications strategies across the industry.

2.3 Approach

A four stage, iterative approach was used. The messages for testing were developed in collaboration with members of the ABI and research methodologies employed were chosen to deliver both quantitative and qualitative insight:

Having a process that incorporated consultation with both consumers and members of the ABI across all stages of the research ensured that the messages could be developed and refined throughout, with feedback from consumers being taken into consideration at each stage. Using both qualitative and quantitative methods meant that an in-depth *and* statistically robust exploration of the different messaging options could be achieved; this in turn provided a sound evidence base from which to develop future consumer communication strategies.

2.4 Sample

The 'Discover' stage encompassed focus groups with AE and non-AE savers, depth interviews with AE savers and people who had previously been auto-enrolled but subsequently opted out. Across the qualitative sample a mix of age, gender, affluence and level of financial sophistication/engagement was achieved, to ensure the messages were tested with a good balance of different audiences.

As auto-enrolled consumers were the focus of this research, quotas were set at the 'Develop' stage of the research programme to ensure that 400 of the 500 participants had been auto-enrolled into their workplace pension scheme. The final 100 had opted into their workplace scheme voluntarily. Quotas were also set to ensure a nationally representative spread of 22-55 year olds and a good fallout of regional and social grade quotas across the sample.

Since the research focussed on how to increase understanding and appreciation of the value of defined contribution workplace pensions, anyone who was not paying into a workplace pension, did not know whether or not they were in a workplace pension, or described themselves as wholly or mainly reliant on a defined benefit pension for their income in retirement, were excluded from the quantitative sample.

A full breakdown of the quantitative and qualitative samples can be found in the technical appendix.

2.5 Significance testing

Significance testing has been applied to quantitative data throughout the report so that genuine data differences are highlighted. All significance is tested at a 95% confidence level and significantly higher or lower results are marked using the following conventions:

- Green circles show where a figure is significantly higher than a comparative figure
- Red squares show where a figure is significantly lower than a comparative figure
- A bold outline denotes that the difference is significant to all other data points that it is being compared against
- Where the line is dashed, this means that the difference is only significant to some of the data points
- An asterisk (*) highlights the figure to which the significance relates

3 CONTEXTUAL INSIGHT

While the existence of automatic enrolment and the benefits of a workplace pension are generally well recognised at a high level, few people appear to have a detailed understanding of their own scheme. The research highlighted that irrespective of life stage and level of financial knowledge and/or confidence, consumers find it hard to give their pension the attention and priority it deserves. One of the key issues is low engagement; qualitative discussion identified a number of factors that appear to be driving this currently:

1. **The abstract nature of pensions can inhibit savers' sense of ownership of their pension**

For most people, their workplace pension is intangible and not seen as 'my' pension. Many of the research participants, particularly those working in smaller organisations, had received little information or guidance from their employer at the point of auto-enrolment. The process was therefore very passive from the employee's perspective. While some of those working for larger employers gave examples of being invited to seminars, workshops and/or pension provider representative visits, others had simply been told they were going to be automatically enrolled into a scheme merely as a result of a statutory obligation, with little to no information provided on the features or benefits of their pension.

2. **Current projections can be difficult to make sense of and deter engagement**

Only a minority appears to actively engage with their annual statements and those that do find the projections included in these difficult to understand. Few know what their pension will be worth at the point they'll need to access it and 41% of those interviewed in the quantitative survey say they are concerned that they don't know what their pot will be worth when they come to retire.

3. **More immediate life events take priority**

While financial priorities generally change over time, attitudes to contributing 'spare' funds to a pension pot often remain the same. Many – most notably those in the very early stages of their career and/or those with high levels of financial outgoings or dependents – can simply perceive the loss of monthly net income to be unaffordable.

4. **Present bias more powerful than future proofing**

The benefit of not having to rely on the State Pension is clear to most but is not in itself a strong enough motivator to divert funds away from more pressing immediate needs such as paying the mortgage, servicing debt and/or providing for dependents.

5. **Having a pension in place is 'good enough'**

For many, having the pension box 'ticked' is often seen as being good enough. Even for more knowledgeable/financially sophisticated consumers, confidence with day to day finances does not necessarily correlate to engagement with, or understanding of, pension savings.

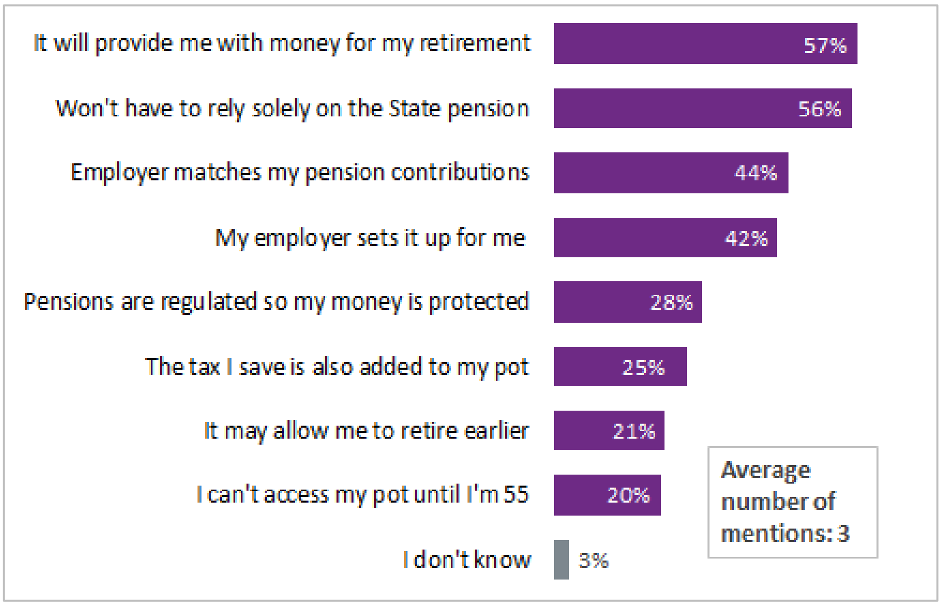
Appreciating the benefits of saving into a pension

Understanding of personal finances is generally good among the 22-55 years olds spoken to with 69% feeling they have a good understanding of their personal financial circumstances. This does not, however, extend to their pension:

- Only 48% of those who are confident managing their money thinks their pension will enable them to live comfortably in retirement. Confidence is higher among home owners and those with additional savings but there is nevertheless an acknowledgement that their retirement may not be as comfortable as they had hoped
- While a third feel that they have a good pension, 27% said they know very little about their pension and 24% are unsure how their workplace pension compared to others and, therefore, if it was good or not
- 50% find pensions confusing, with this confusion prevalent across all age groups, regardless of whether they were auto enrolled or not

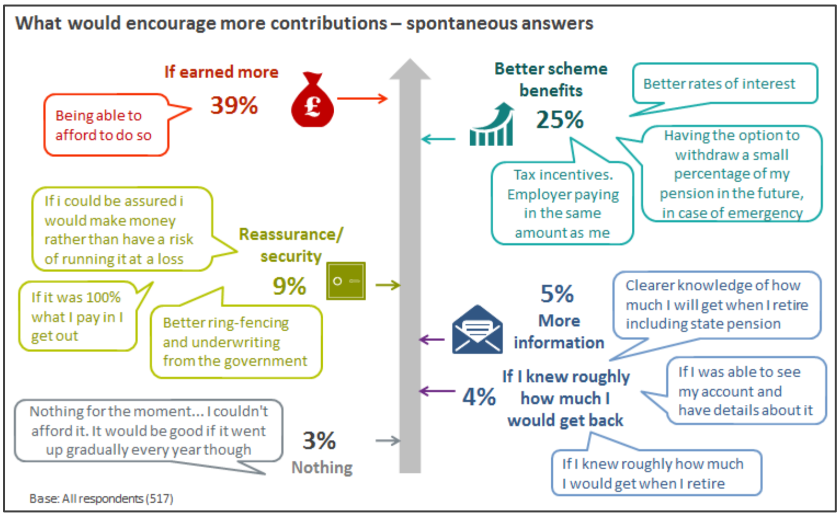
When asked what they consider to be the main benefits of saving into a pension fewer than half selected employer matched contributions and only one in four selected 'the tax I save is also added to my pot' (see Figure 1 below). Most associate pensions with a retirement income rather than identifying specific product benefits suggesting low engagement with pensions but also highlighting the limited extent to which the benefits are currently understood and therefore valued.

Figure 1: What are considered to be the main benefits of saving into a pension?



Alternative saving products do not appear to be pulling people away from pensions. When asked, only 57% can name an alternative means to save for retirement. Most suggest standard ISAs or private/personal pensions; only 3% of the total sample mentions a Lifetime ISA. This suggests a lack of awareness or consideration for this product beyond its usefulness as a means of saving for a deposit on a property.

When it comes to pensions people are quite open to being reminded of the basic facts. Consumers are not looking for a definition per se, but anything that reminds or helps explain the unique benefits of saving into a workplace pension versus other savings vehicles is appreciated and seen as worthwhile. While lack of funds is the biggest barrier to increasing contributions, people are open to being encouraged to save more if reassurances can be given as to how worthwhile this is likely to be.



Conscious and subconscious factors trigger consumer responses

Tangibility is a key influencing factor. Pensions and long term savings products can feel remote and intangible, with heavily caveated projections, consumers can find it hard to distinguish between what is feasible and what is purely theoretical. Messages that communicate a positive outcome from a clear, simple action with straightforward parameters – for example increasing your contribution by X% a year for a period of time will return a larger final pot – have immediate cut through and are perceived as valuable, realistic information.

Future gain is equally motivating. Whether that is a clear financial gain as in the example above, or a lifestyle reward i.e. saving for a pension may enable you to retire sooner, enjoy an extra holiday, pursue a particular leisure activity and so on, the idea of a good outcome resonates more positively than focussing on what could happen if you don't save.

Three other factors drive a more negative or muted response:

Negative framing is demotivating and is as likely to provoke a 'why bother?' response as opposed to a determination to do something about it. Negative framing also has the potential to impact on the relationship between providers and consumers, as some see this approach as ‘scaremongering’ and resent what they perceive to be attempts to manipulate them.

Inaccurate framing can also be a deterrent to saving. Messages designed to emphasise the ease and convenience of a workplace pension can be perceived in a negative light, underplaying the employee’s role. This is particularly true in the case of auto-enrolment where even though the employee hasn’t actively chosen to participate; it is still their work that provides a significant contribution. This sense of not having a key role may also reinforce the sense of remoteness and disengagement consumers have towards their pension.

Similarly, in the context of government contributions via tax relief, words such as ‘contributes’, ‘gives you’ and ‘puts in’ can be seen as misleading, particularly among consumers with a better understanding of how tax relief works. Stating the obvious, while not misleading, drives a ‘so what?’ response and can be construed as patronising. Hence describing a pension as ‘a way of helping you financially when you’re older’ holds little appeal and does nothing to increase understanding or encourage saving.

Using current **State Pension** figures as a reminder of what someone would have to live on without additional provision provokes opposing responses. While it is a useful anchor for some and a sobering reality check, those already on very low incomes/living on a very tight budget can feel relieved and believe they don’t need an additional pension as the State Pension will be enough. Others fail to relate to the message at all, believing that current figures have no relevance, particularly if they are a long way off State Pension age.

4 DEVELOPING THE MESSAGES FOR TESTING

In order to ensure that the views of a range of ABI members were taken into account the development of the messages to be tested started at the project kick off stage with an extended briefing session involving the core Optimisa research team, the ABI internal team and a group of ABI members. The session was run as a collaborative stakeholder workshop incorporating knowledge sharing, hypothesis development and prioritisation of the key themes that needed to be communicated to consumers. To better understand the effect of individual messages, potential variations were identified that would allow the impact of how the message was framed to be evaluated. It was agreed that as well as a number of different messaging themes, a variety of styles in terms of content, language, format and tone would be used to help identify which core messages and communication approaches had the most impact. We took an iterative approach in developing the messages, which allowed key learnings from each phase to be carried forward and inform the next.

At the end of the session 22 messages had been drafted. These were road tested using a 'Dragon's Den' style consumer panel held immediately after the workshop.

Of the 22 messages tested, four were excluded from the core research on the basis that they did not aid comprehension or demonstrate the potential to do so with refinement.

The remaining 18 messages were grouped into five core themes:

1. The different components of a pension
2. The appeal of immediate vs. longer term incentives
3. The impact of increased contributions
4. Explaining tax relief
5. The general benefits of saving into a pension

The number of messages was further refined to five for the quantitative stage. Consumer reactions to the messages and details of how the messages were developed across the project lifetime are discussed in the following section. Full details of all messages tested can be found in the technical appendix.

5 RESPONSE TO THE MESSAGES TESTED

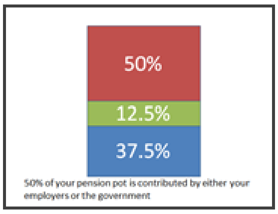
This section looks at how consumers reacted to the messages and whether/in what form the messages were taken forward into the final quantitative stage of research.

5.1 Response to the 22 messages tested in the Dragon's Den

A panel of six men and women, all auto-enrolled in a workplace pension and representing a range of ages and occupations was convened to review the messages and provide spontaneous feedback. In order to evaluate all of the messages while minimising the risk of group effect and the potential for respondent fatigue, a rapid scoring system was used. Each panellist had a set of scorecards numbered from 1 to 5 which they were asked to hold up to give an overall rating for each message before recording brief comments/concerns/ questions in a self-complete taskbook. Only then were the messages discussed as a group.

While the main purpose of the Dragon's Den was to obtain a quick read and sense check on the messages prior to the core stages of research, some interesting findings emerged.

Firstly, messages describing the components of a pension were well liked and worked best when presented in a visual – chart or diagram – format. It became clear in the ensuing discussions that in order to have real appeal the visuals must be simple and easy to understand; a variant showing percentage values performed less well and as a result was dropped from the next stage of research.



Secondly, while the concept of ease and convenience was well liked, messages referencing the convenience of a workplace pension can be controversial and perceived to downplay the employee's own role. For example, the phrase 'your employer does all the work' was felt to imply a lack of employee input/control and did more to (inadvertently) offend than to act as a source of reassurance or motivation. The language was accordingly softened before further testing from 'your employer does all the work' to 'your employer sets up for you' in order to evaluate whether or not this had a more positive impact.

> Workplace pension: your employer does all the work for you

In a similar vein, a message comparing employer contributions to the equivalent of a pay rise was seen as misleading and disingenuous. This message was excluded from further stages of testing due to the strength of negative response it provoked.

> The money your employer puts into your pension is in addition to your salary, you could say it's like a pay rise – why would you opt out?

The words 'bonus' and 'free' proved to be equally contentious, particularly in the context of Government contributions. This was especially true for those with a greater understanding of pension tax

> £50 paid in = £50 'free' = £100 total
>
> £100 paid in = £100 'free' = £200 total

relief, who viewed it as something that was not being taken away rather than something that was being actively added by the Government. Subsequent messages used alternative descriptions such as the Government 'contributes', or 'gives you', again to see what difference if any this made.

Every £1 doubles

Finally, the phrase 'your pound doubles' was perceived as 'gimmicky' and seen as trivialising a serious topic; this was also removed from the subsequent stages of research.

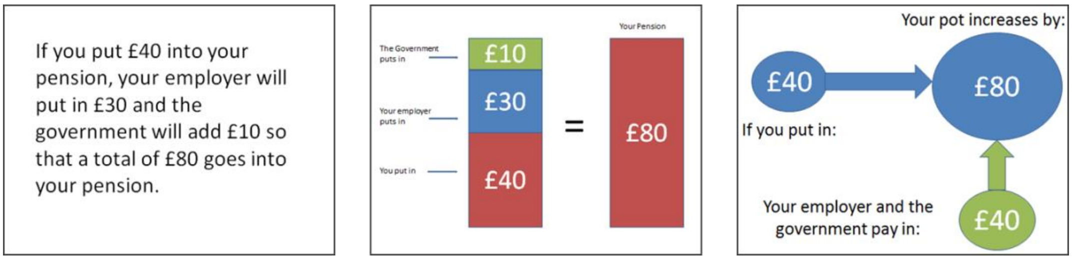
5.2 Response to the 18 messages tested in the core qualitative stage

As already referenced in Section 4, the 18 messages taken into the core qualitative stage were grouped into five themes to allow them to be evaluated more easily. The findings are discussed below.

Messages communicating the component parts of a pension work well and are most easily understood in a visual, stacked bar format

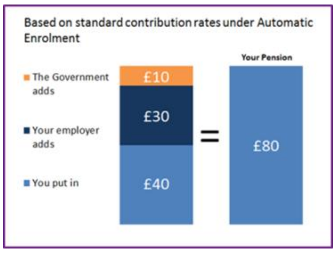
Messages delineating the separate elements of a pension resonate strongly with all audiences, educating those who are less engaged/less aware of the core components of their pension while acting as useful reminder and source of reassurance to others. Ultimately, the messages communicate very clearly the benefit of saving into a pension; the provision of contributions from third parties. In particular, it is the employer contribution that has most cut through. While Government contributions are also seen as a benefit, this component is often taken at face value and not automatically recognised as a contribution made via tax relief.

Three iterations of the message were tested in the core qualitative stage:



While the written message generally works fairly well, the visual depictions require less effort to digest and have more of an immediate impact. Of the two visuals tested, the stacked bar chart (image 2) was consistently preferred as it communicates a clear distinction between the three components (personal vs. employer vs. Government contributions). Minor reservations were raised in terms of what the figures were based on, the use of red and green colour and potential negative/positive associations, and the phrase the government 'puts in' suggesting a physical transfer of funds from the government to the pension pot. The final variant was felt to lack clarity over the ratio of the government vs. the employer contribution.

Given the consistent preference for the stacked bar chart, this variant was taken forward to the quantitative stage with minor amendments.



Messages relating to longer term benefits resonate more than those related to the immediate/short term

Two messages were tested to determine whether the immediate or long term benefit of saving into a pension acted as a greater incentive to save into a pension and/or impacted on perceptions of value:

Paying an extra £40 into your pension today becomes at least £50 tomorrow	Increasing your contribution by 1% of the average salary in each of the next five years would add at least £32,000 to your pension in 20 years*

The longer term message consistently had greater appeal as it aligns more closely with the forward looking nature of pensions *'It's a long term product for my retirement, not for now'*.

Equally, the example of the potential gain to be had by making a relatively modest (and achievable) increase in contributions resonated strongly with all audiences. A 1% increase was felt to be realistically achievable and the opportunity to increase the value of the pension by a relatively much larger amount highly motivating. Having a mix of % and monetary values did not appear to cause confusion or raise concerns; the 1% figure worked well because it felt similar in size to a typical pay rise while the figure of £32,000 felt more tangible than a return in percentage points would have.

The inclusion of a caveat – and an example based on an average salary – caused some confusion, concern and/or suspicion *'What is real growth? If it's only assumed, does that mean I might not get it?'* but this type of response was generally in the minority; most are attuned to the notion that growth would be based on investment performance and that figures used are intended to act as a guide rather than an absolute truth.

Conversely, the message describing the short term gain was widely felt to lack relevance; the 'benefit' is intangible because the funds cannot be accessed or fully realised in the short term.

It was decided that the 'future gain' message would be carried forward into subsequent quantitative testing, with minor amends to address the confusion created by the reference to average salaries and real growth.

Messages intended to motivate saving largely appeal but, when related to the State Pension, can polarise opinion

Messages intended to reassure and encourage saving by highlighting the realities of what life might be like in retirement without provision other than the State Pension can generally educate and encourage people but the positioning, framing and specific content used can be divisive.

Saving into a workplace pension now will mean fewer money worries in your retirement	The current State pension is £155 a week: saving into a workplace pension will mean less cutting back in your retirement	The current State pension is £8,060 a year: saving into a workplace pension will mean less cutting back in your retirement	The average person in their sixties that relies only on their state pension takes around **2 holidays** or short breaks a year. For those that have made additional pension provision it's at **least 6**.

While the sentiment of message 1 was clearly understood, it was widely felt to be unnecessarily negative in tone and, rather than being motivating, in some instances had the opposite effect, minimising its impact – *'Fewer money worries? So that means I'll just be slightly less worse off than I'm going to be anyway? Not exactly very motivating is it?'*

Similarly, the messages relating to the State Pension, while generally motivating, proved to be counterproductive with those already surviving on low levels of income. Additionally, the impact of the weekly vs. the annual State Pension figures varied depending on individual circumstances and attitudes. Younger people and those on tighter budgets found the weekly figure more relatable and motivating while those who were a bit more affluent found the annual figure a more useful benchmark. It was also felt that the 'negative' framing (*'less cutting back'*) within these messages could be changed to a more positive tone.

For a minority any reference to the current State Pension was irrelevant and a distraction; either because they were uncertain as to whether there would even be a State Pension available by the time they reached retirement age, or because they felt that with inflation their own State Pension would be much higher. Since this was a minority response the decision was made to take a State Pension message into further testing, with reference made to both weekly and annual current figures, and a more positive tone – 'a more comfortable retirement' rather than 'less cutting back'.

The message around the potential to take more holidays in retirement had immediate appeal. However, on further reflection it was met with a degree of scepticism. Few could imagine being able to afford six holidays a year even with additional pension provision in place. Equally, holidays are not a priority for everyone, nor is retiring at 60, meaning that this message has limited potential to resonate across a wide range of audiences. It was decided not to take this message or a variation of it forward into the quantitative testing.

Messages positioning pensions as a '(long term) savings account/vehicle' add a sense of familiarity but can be perceived as unclear, particularly with regards to Government contributions

Three messages were tested within this theme:

Pension: a tax efficient savings vehicle	Pension: a long-term savings account your employer and the government contribute to	Workplace pension: a long-term savings account your employer sets up for you

The message around tax efficiency (message 1 above) was appealing to some but lacked explanation; while tax efficiency per se was generally perceived to be 'good', there was a sense that some did not necessarily understand it. As such, the message did little to educate, inform or expand current levels of knowledge; it was not seen as especially motivating.

Describing pensions as a 'savings vehicle/account' had some appeal and went some way to tackling perceptions of pensions as something distant and intangible, at least anecdotally in the qualitative phase. However the reference to government 'contributions' caused debate, as providing tax relief is not considered to be the same as making an active contribution.

Finally, while the concept of ease and convenience was spontaneously identified as a key motivator for being in a workplace pension, the reference in message 3 to the employer 'setting it up for you' was felt to imply a lack of personal control, undermining its appeal.

Ultimately none of these messages were felt to add much in terms of educating, improving understanding or motivating people to save into a pension, however, as the second message had to an extent tackled the perception of a pension being intangible, it was taken forward into the quantitative phase.

Messages intended to highlight the benefits of tax relief did little to clarify what is perceived to be a complex issue; it was not felt to show the full picture

Of the three variants tested, none was felt to be a truly accurate portrayal, or to provide absolute clarity on, the actual tax efficiency of saving into a pension. In particular, the terminology used to describe the Government as 'giving' or 'contributing' to the pot continued to be contentious.

You put in £40 and the government gives you at least another £10 in tax relief	You put in £40 and the government contributes at least another £10	You put in £40 and you get £10 from the tax you save

A decision was made to try to find another way to describe tax relief; in discussion with the ABI the following message was developed:

> When you pay money into your pension, the government pays money into your pension too - if you pay income tax, the government puts the money you would otherwise have paid in tax in to your pension

Messages intended to communicate some of the positive aspects of saving into a pension do little to educate or motivate

Factual messages depicting some of the benefits or features of a pension were generally perceived as 'bland'; either stating the obvious or lacking substance.

Three messages were tested in this theme:

Pension: A way of helping you and your family financially when you are older	Pensions are regulated so your money is protected	Pensions: the savings you can't dip into

While describing a pension as *'a way of helping you and your family financially when you are older'* was felt to be a fair, accurate statement, it was not felt to do anything to either build on existing levels of knowledge or drive a change in perceptions and behaviour.

Equally, the message around regulation failed to resonate. Questions arose around which elements of a pension, specifically, would be protected and to what extent. The word 'regulation' tended to remind people of some of the high profile pension scandals rather than provide reassurance, regardless of whether or not their own pension situation resembled the schemes that had been affected.

Describing pensions as *'the savings you can't dip into'* provoked a negative response. While a minority saw the benefit of this in rational terms; it reinforces the notion of a pension as intangible and 'not mine'.

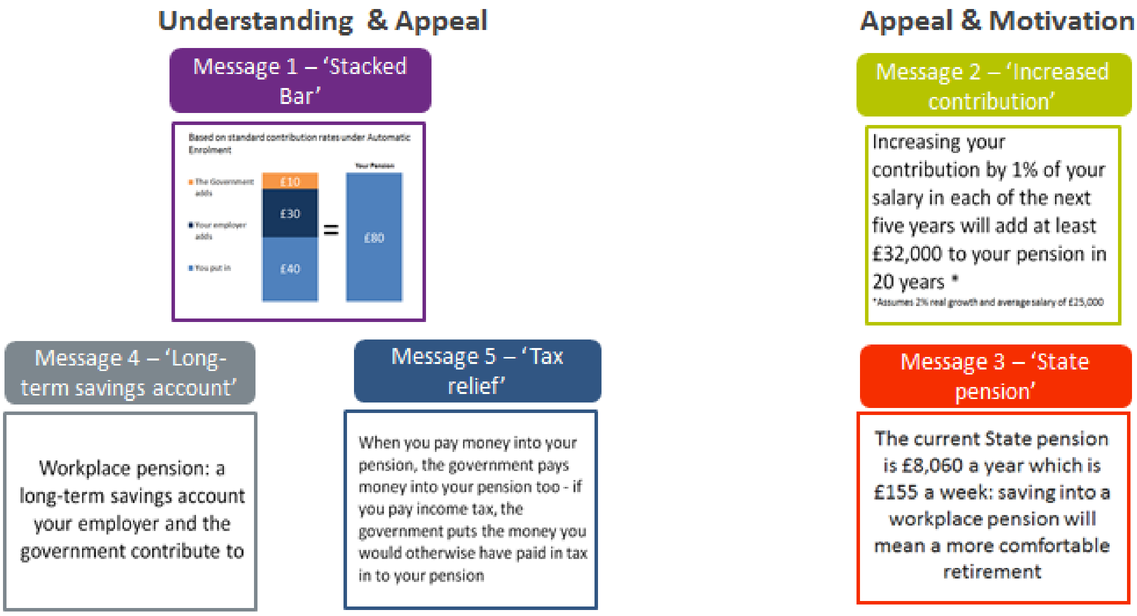
None of these messages were taken forward for quantitative testing.

5.3 Response to the final five messages tested in the quantitative online survey

The quantitative testing sought to collect more detailed insight around the messages that appeared to have the best potential to influence consideration and behaviour. It was also an opportunity for a new Tax Relief message to be tested among a larger audience of 500 participants.

Respondents were asked a series of questions on each of the messages in turn and the order in which the messages were presented to them was rotated. This ensured that a clean, unpolluted response could be collected for each message in a robust volume.

Of the five messages tested quantitatively, three were designed primarily to build appeal through greater understanding of workplace pensions, and the remaining two were designed to build appeal and motivate saving.



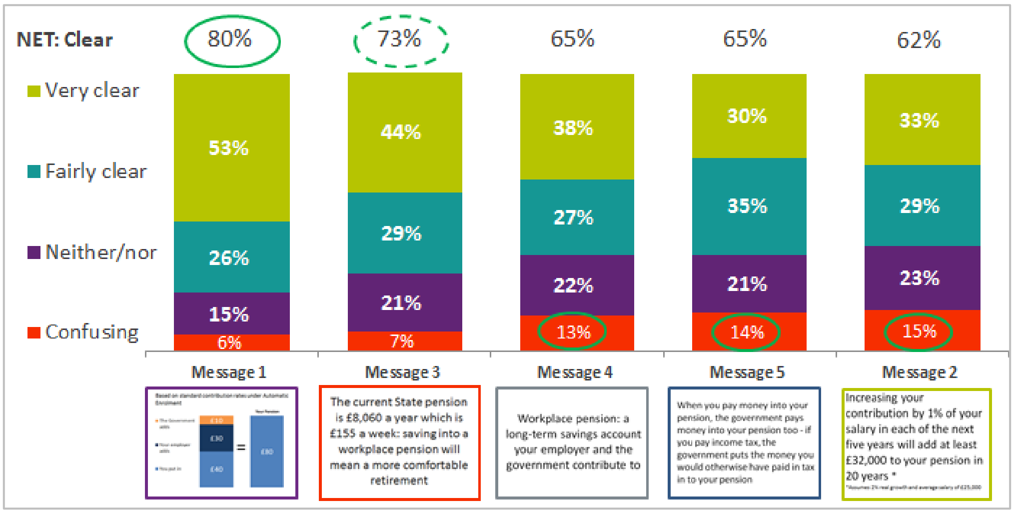
Pleasingly, all of the messages deliver an initial impression that is in line with their core objective. The motivational messages are more effective in inspiring readers to consider saving more into their pensions. Meanwhile the stacked bar, as we saw in the qualitative research, delivers a clear, easy to understand message which provokes a positive response across all audiences.

Response is less emphatic to either the 'Long-term savings account' or the Tax relief message; the fourth most popular response to the 'Long term saving' message is that the message isn't informative enough and a considerable number found the Tax Relief message unclear or confusing. In the main however, the response to these messages focuses on how they inform and build understanding.

One third of the participants found at least one of the messages confusing but in most instances it was just one of the messages that concerned them. Twenty three percent found one message confusing, 10% were confused by two and 3% were confused by three or more of the messages.

Two messages perform notably better than the rest. The stacked bar and State Pension messages are significantly less confusing than the others, as shown in figure 2 below.

Figure 2: Clarity of messages



Reasons for confusion were explored in the survey. The stacked bar was seen as too good to be true or confusing because 'not everyone can read a graph that well': generally the criticisms were few and far between. The State Pension message made it clear that funding assistance was limited in retirement, but some questioned the relevance of the information.

'It's good to know what the State Pension is, but totally irrelevant to people putting into a pension now, as we have no idea what the State Pension will be at retirement'

'The amount I'll get in 20 years' time is not known'

For some respondents, the State Pension information was unnecessarily negative – *'[The message] doesn't account for inflation'*. For others, it was misleading as there was disbelief that the State Pension would exist when they came to retire.

While the 'Long term savings account' performed well qualitatively, some questioned whether the parallel to a savings account was fair; the analogy was considered misleading where the functional differences between the two products were understood.

'It's not a savings account as you cannot get to your savings until you retire'

'It's not accurate as a pension is more risky than a savings account'

'Your investment is gambled, you can lose it'

For others, the message was confusing for what it didn't say:

'It sounds very generic and doesn't convey much information'

It doesn't contain any numbers. It needs more information'

Confusions highlight the importance of clear messaging and avoiding the use of misleading comparisons.

The tax relief message was clear to 65% of the sample and confusing to 14%. Overall, it is a difficult message to communicate without raising some level of suspicion, especially when the concept of tax relief is not understood.

'I am confused as to whether it is government policy to do this, and why a tax break of this nature would apply to my pension'

'Does this mean that you don't pay income tax if you have a pension?'

Interestingly, while the stacked bar chart clearly demonstrates that the government adds to the amount a person can save towards their retirement, the reader does not transfix on the logistics of how this is done and the transparency of why this is done. The concept of there being a matched contribution sounds familiar, and most know that employers contribute to pension savings; the Government contribution is less of a focus. When it becomes the focus of the message however, as it does in the stand alone tax relief statement, the appropriateness of the Tax Relief messaging comes under scrutiny:

'It suggests that the government actively pay into your pension'

'It makes it sounds like you're paying yourself twice rather than you and the government [contributing]'

While people found the message motivating, the message illustrating the impact of increased contributions also triggered a more diverse range of confusion. The volume of information is considered too much for some and the calculations also raise concerns or a level of doubt.

'I don't know a lot about pensions – just that some of my wage goes into my pension so I don't understand how the above is possible'

'There's too much jargon'

'The statement is built on assumptions'

The lack of personalisation led some to question the validity of communicating projection data; while there is an appetite for information on pot value, the information needs to be tangible for the messaging to work.

'The message is ok, but it only works for people on the average salary'

'It doesn't match my circumstances'

'It's misleading as a headline statement when the small print says that it could be otherwise'

Where the earnings were in line with the reader's salary, it could still be considered misleading:

'It's based on the assumption of 2% growth'

For others the information was helpful but tantalising - it didn't go far enough and provide retirement income data:

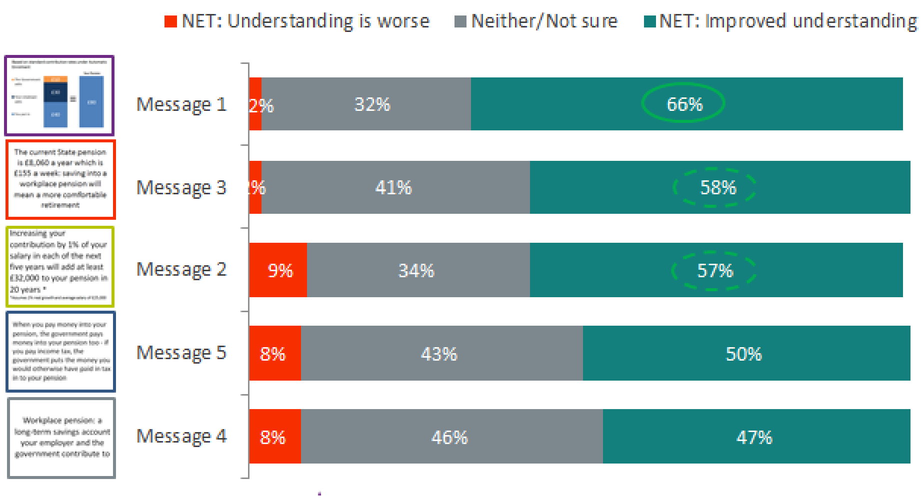
'How much does this mean extra per month? It doesn't speak in real terms'

'It sounds a very little amount for twenty years saving and does not explain how much it translates into income after I retire'.

Interestingly, confusion about the need for escalating contribution across five years was not picked up.

All of the messages tested were considered to improve understanding for a significant proportion of the sample. However, the stacked bar does the most to improve understanding of saving into a pension, and the tax relief and long term saving account messaging do the least. The State Pension and increased contribution messages both lack personalisation, but deliver stories that are worth hearing.

Figure 3: Whether the messages improve understanding of saving into a pension



While the stacked bar performs consistently best across all sample groups, the motivational messages had greater relevance and impact when heard by those who intend to retire in ten to 20 years (see Figure 4 below). The contribution message was tailored to what pot saving could be reached within 20 years - so the better response may, in part, be a response to this personalisation but a phasing of information and the slightly later introduction of communications designed to increase pension contributions (once a basic understanding has been established) may be an effective strategy.

As the contribution message illustrated a stacked bar chart is the most effective at building understanding, there is no reason to feel that it could not be included and reiterated across multiple communications – when employees first join their workplace pension scheme and in each year's annual statement.

Figure 4: Improved understanding data showing % improvement scores among those with differing levels of understanding and different time periods until they retire

	Understanding of pensions: Very confusing	Understanding of pensions: Confusing	Understanding of pensions: Not confusing	Years until retirement: 20+	Years until retirement: 10-20	Years until retirement: Next 10
	63%	67%	65%	68%	72%	55%
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 *	55%	59%	59%	57%	66%	50%
The current State pension is £8,060 a year which is £155 a week: saving into a workplace pension will mean a more comfortable retirement	51%	56%	59%	57%	65%	54%
Workplace pension: a long-term savings account your employer and the government contribute to	49%	49%	46%	46%	53%	45%
When you pay money into your pension, the government pays money into your pension too - if you pay income tax, the government puts the money you would otherwise have paid in tax in to your pension	47%	52%	48%	51%	52%	53%

As well as being the most informative, the stacked bar chart is also the best performer when it comes to driving appeal for pensions over and above other savings products (see Figure 5 below) and the most reassuring message tested (Figure 6). Seventy seven percent of those interviewed said that the message made them feel favourably towards pensions; only 6% felt that pensions sounded less appealing than alternatives. The other four messages perform similarly to one another, all doing more to heighten than to damage the reputation of workplace pensions with around three in five saying that the messages made pensions sound more appealing than other savings products and one in seven saying that workplace pensions sounded less appealing.

Figure 5: Appeal of pensions over other savings products

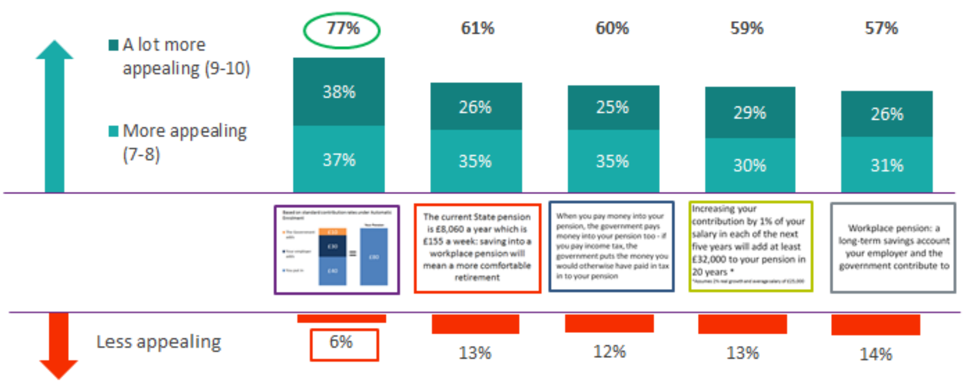
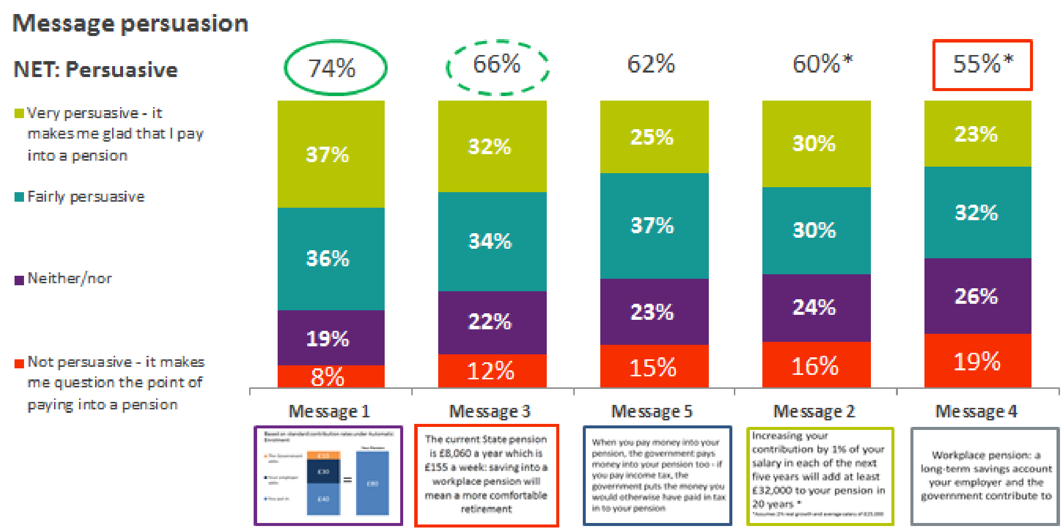


Figure 6: Messages' ability to persuade readers of the value of pensions



The State Pension message is the second most persuasive of the messages tested. While the tax relief and increased contribution messages perform similarly at a net positive level, the increased contribution message is more likely to be very persuasive.

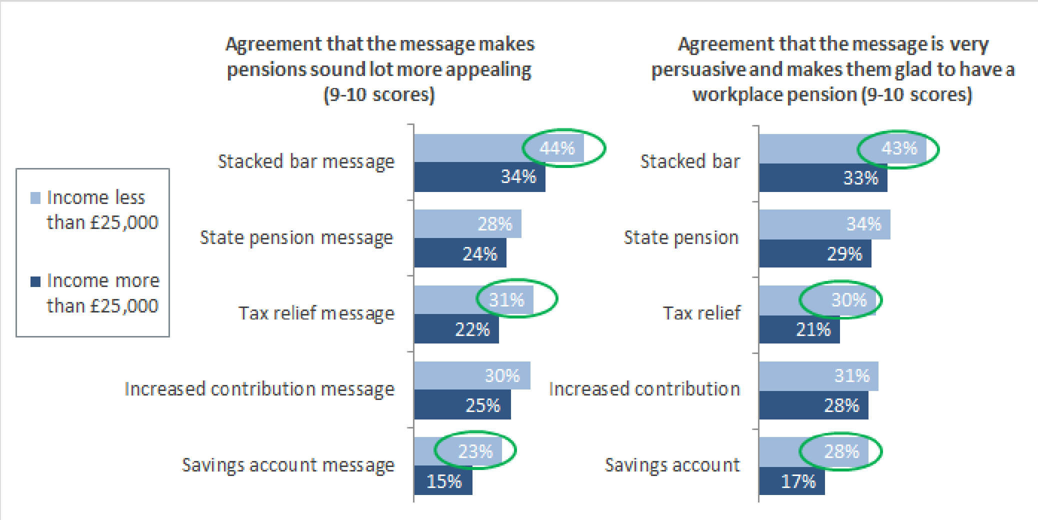
The contribution message includes a combination of percentages and numbers in sterling but this didn't appear to cause confusion or annoyance. When probed, the overriding response was one of positivity. A tangible demonstration of how contribution equates to final pot size is desired and more knew what percentage they contributed towards their pension than knew how much they contributed – so the increase was relative to what they knew. In the online survey, when asked what they contributed towards their pension, only 11% provided an answer in sterling. Of these, 8% also provided a percentage answer. Only 3% were unaware of their percentage contribution.

The saving account message is the least compelling, with just over half agreeing the message was persuasive. Perhaps because the message does not reference the unique benefits of pensions such as the value of external contributions. One in five said that they questioned the point of workplace pensions having read it.

When analysing the data, care has been taken to highlight differences across various demographic and financial confidence groups. Few differences emerge but the messages designed to build appeal through establishing a greater understanding of contributions made towards workplace pensions (i.e. the stacked bar, long term savings account and tax relief messages) are significantly more likely to appeal when read by those earning less than £25,000 per annum, than those on higher salaries (see Figure 7). Both the high and low earners are in agreement that the stacked bar is more effective than the other messages, but the mention that others pay into workplace pension pots is more compelling to those less able to make high contributions themselves. Forty three percent of those on less than

£25,000 say that the stacked bar is very persuasive and made them glad that they paid into their pension compared to 33% of those earning less than the average wage. Likewise the tax relief and long term savings account messages also perform significantly better among lower than higher earners.

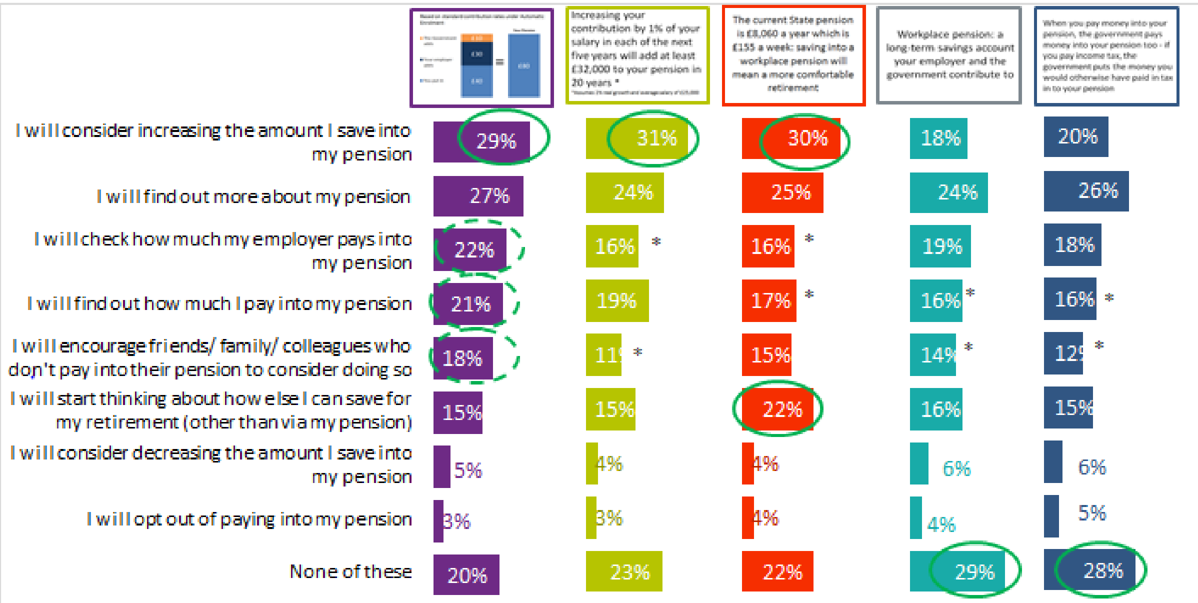
Figure 7: Impact of income on the extent to which messages appeal and make the reader glad that they have a workplace pension



When asked which single message is the *most* motivating it's no surprise that the stacked bar is chosen by more than half of those asked. The contribution message performs second best with 22% of the sample selecting it and the State Pension message follows with 14% choosing this as the message that motivates them the most. The same preference order and overwhelming preference for the stacked bar can be seen across all demographics regardless of the order in which they saw the messages, and regardless of whether someone is auto enrolled, or not, confident in their retirement funds or confused by pensions.

The stacked bar, State Pension and increased contribution messages all encourage around one in three to consider increasing the amount that they contribute to their pension. The stacked bar also builds intrigue and is significantly more likely than some of the other messages to encourage the reader to check how much they and their employers are contributing as well as encouraging a discussion in and outside of the workplace.

Figure 8: Consideration and actions taken having read the messages



The State Pension message, while encouraging three in ten to increase their workplace pension contribution, also increases consideration for other saving options. It could be argued that any retirement saving, and saving across multiple sources, is a positive rather than a negative outcome. However, it will be important to ensure that this message is delivered alongside promotional workplace pension information so that the value and additional benefits delivered by workplace pensions are not forgotten or overlooked. As it was, very few said that any of the messages would encourage them to reduce or stop their pension contributions as a result of what they had read. Those who did were likely to have said this in response to multiple messages, to have had more concerns about their pension in the first place and to have been more demanding in their response to the question of what could be done to encourage them to increase their contribution.

The long term savings account and tax relief messages are the least likely to encourage action but even these encourage a quarter of readers to find out more about their pension once read. It would seem that in more cases than not, a positive and informing pension message is a valued communication and likely to build rather than to jeopardise consideration for workplace pensions.

5.4 Channel preferences

The channel through which communications should be delivered was also explored within the quantitative survey. Most currently said that they received annual (58%) or monthly (21%) information from their pension provider, compared to 13% who could not recall when or if they had received anything and 8% who said that they had never received information. The form of the communication - or detail included within the communication - was less well known. Thirty two percent of those interviewed said that they had received letter or email information, 22% percent had logged onto an online account and 21% had spoken to a colleague. But 30% of the sample said that they had never received communications from their provider.

Proportions differed depending on how close the person was to retiring. Those 20 years or more from their retirement date were significantly more likely to have received information (33%) or spoken to someone (26%) compared to those retiring in the next ten years (25% had received information and 13% had spoken to someone). Despite receiving less information those closer to their retirement date were more likely to have actively logged in to an account in order to find information. The proportion receiving nothing was fairly consistent across all demographics spoken to.

Email tends to be the preferred communication method for the delivery of all of the messages, chosen by around 40% of the sample, but around a quarter would prefer face to face delivery of the information, and one in five would prefer a letter. Readership of pension communications is an undoubted challenge for providers. While this research did not test email titles or envelop design in order to advise on how best to combat this, readership of letters is generally much higher than email, so a variation in communication methods is suggested and repetition of the stacked bar messaging across these multiple communications is recommended.

6 CONCLUSIONS AND IMPLICATIONS GOING FORWARD

Having previously been through several stages of refinement, all of the messages that were tested in the quantitative stage of the research programme did more to build understanding and appeal for workplace pensions than to limit interest or reduce future intention to contribute to a pension. The stakeholder workshop and qualitative sessions were hugely valuable in honing the messaging but also in highlighting the messages which were less impactful or contentious.

Across the research, a clear picture of which types of messages do and do not work became apparent. This has allowed for the development of a set of guidelines/pointers to be kept in mind when planning future pensions-related communications:

Language

Words and phrases such as ‘double your money’, ‘free’ and ‘bonus’ are at odds with the serious nature of pensions and can be interpreted as gimmicky or worse, misleading. The saving account analogy was also less effective than anticipated. When discussed, the parallel was helpful and made the concept of a pension feel less alien. However, without explaining that the analogy is a likening rather than an accurate description of pensions, the positivity began to unravel. In the quantitative stage this message was considerably less effective than other messages tested and failed to build understanding to the same extent.

Benchmarking

Messages around the current State Pension divided opinion and providers will need to be mindful of this. What is a small amount of money to live on for one person can feel quite comfortable for another, making it difficult to predict when the message will act as a motivator to encourage additional saving and when conversely it may be ‘too reassuring’ and have the opposite effect. Similarly there is a difference in response to weekly and annual State Pension figures; the annual figure can act as a wakeup call to those living in cities / those with a reasonable level of income while the weekly figure has more impact for those who are monitoring their budgets more carefully/working to a weekly or fortnightly budget.

The power of positivity

A reminder of how challenging retirement can be is helpful, but focussing on the benefits of having saved into a workplace pension – rather than the difficulty of managing on a State Pension – delivers a more inspiring, motivational impact than a message about being forced to have to cut back in later life.

Regulation

While it is true that consumers are looking for reassurance that their pension is an efficient savings tool, messages that focus on regulation are not as effective as such messages can be in other financial sectors. In fact, mention of government involvement in the pensions industry can do more to heighten suspicion of how pensions work and how much of the final pot is someone's to keep, than it does to mitigate concerns and build reassurances. In order for a message about regulation to be useful, more context and information needs to be provided on exactly what is protected and how this will work in practice.

Not my pension

Pensions can be viewed as intangible with people struggling to see it as 'theirs'. Focusing on aspects that are beyond the employee's control can highlight the risks of paying into a pension just as much as it can provide reassurance. Anything that underplays the individual's personal contribution: 'the employer does it all for you' reinforces this sense of distance and should be avoided.

Tax relief

Across the messages tested, those communicating a message about tax relief proved the most difficult to get right. None of the messages tested in the qualitative stages were felt to improve understanding and the reworded message for the quantitative research, while still performing relatively well, was less effective than the other messages tested. While an explanation of how the government 'adds' to pension funds is required for transparency, labouring this can provoke a cynical response.

A message aimed at explaining why the government supports pension saving is likely to attract less negativity. 'The government recognises the importance of saving into workplace pensions, therefore protects the money you would have otherwise paid in tax and adds this back into your pension pot; you're taxed less to help you save more' may be both more compelling and less contentious.

Components of a pension

The visual of the stacked bar is powerful and likely to stand out in letter and email communications. It's clear and delivers a very positive message to audiences; it's the most motivational of all the messages tested in this research and a valuable reminder to those who have a good understanding of pensions as well as a powerful way to deliver new information to those who are less knowledgeable. Some people express a preference for written rather than visual or numerical information but they are in a minority. Its regular inclusion in communications is recommended and a short description below the chart is likely to suffice for those who prefer words.

For most people in the research, numbers are helpful. So too is a tangible demonstration of how the different components contribute to the pot. Those who have a basic understanding of pensions, and/or have 10-20 years before their retirement date, are the most open to this information.

However, numbers do have the potential to create confusion. The future gain message was the most effective at encouraging people to consider increasing their contribution but was also deemed the most complex and potentially misleading of the messages, in particular because of the references to average salaries and real growth rates. If this communication could be tailored to individual customers it would have much more cut through. If not, it would be worthwhile signposting customers to a tool that allows them to personalise the information based on their own situation.

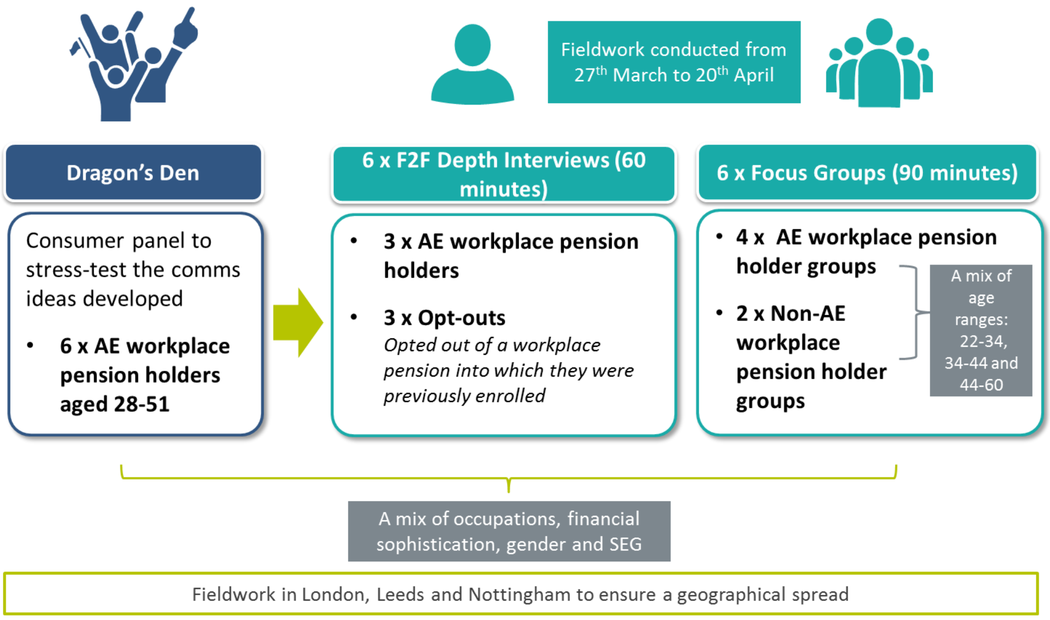
Positive framing

It's important to ensure all messages, especially those which deliver outcome messages, deliver a positive story. If someone is making an increased commitment but getting only a small return on their investment, this message has the potential to demoralise. It is therefore worth focusing on the increased amount invested by other sources – government and employers – to ensure the additional benefits offered by work place pensions continue to stand out over and above other savings products. The State Pension message is also worth communicating alongside pension contribution messaging so that the unique value of workplace pensions is not overlooked.

7 TECHNICAL APPENDIX

7.1 Qualitative sample

Across the three qualitative methodologies, the following samples were interviewed:

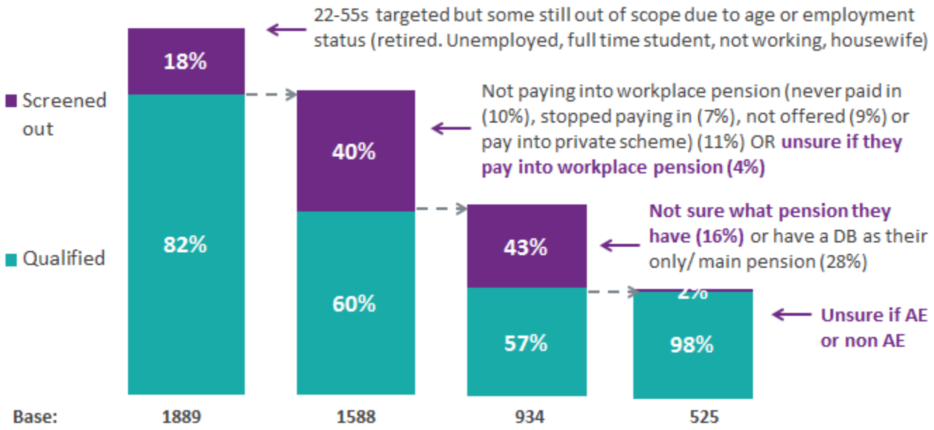


7.2 Quantitative sample

In total, 517 participants took part in the full online quantitative survey. Sample was provided by a large panel partner with quota's set to ensure the invited sample was representative of 22-55 year olds.

In order for us to speak to 500 'on brief' consumers a significant number of survey invites were set out. 1,889 respondents started the survey, with the majority of these not qualifying to take part because they didn't have a workplace pension or because their main pension was a defined benefit pension.

The percentage of consumers screened out at the start of the survey, and the reason for their screening is shown below:



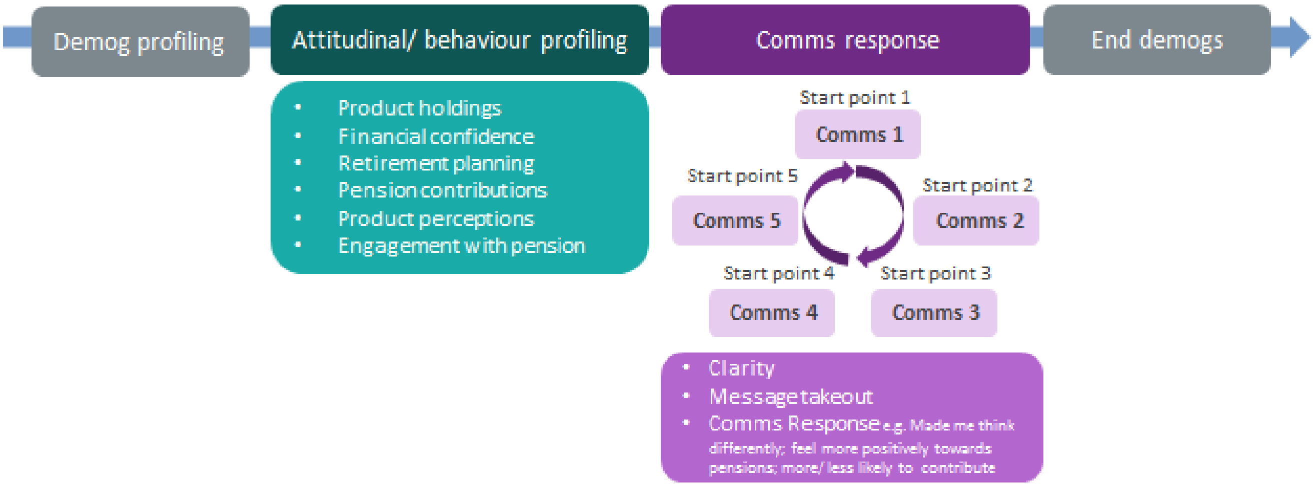
Strict quotas ensured 401 of our participants were auto enrolled. The other 116 participants had joined their workplace pension without the aid of auto enrolment; everyone had a workplace pension.

7.3 Quantitative survey design

The survey was a 15 minute online interview with randomised sequential monadic testing of each of the messages. Each participant was asked their response to all of the messages in order to maximise our sample size and data confidence, and the order in which messages were shown was randomised to remove the impact of order effect and to ensure 100 clean responses were collected for each of the messages, before the participant had had sight of any other messages. The order in which messages were shown did not have a significant impact on the response given to each of the messages, but we had to rule this out in order to have complete confidence in our dataset.

The questionnaire was structured as shown overleaf, with screener questions at the start of the survey followed by a section of questions about the participants' current product holdings and attitudes to retirement planning before the messages were tested. Message response questions were asked for each message separately before the next message was shown.

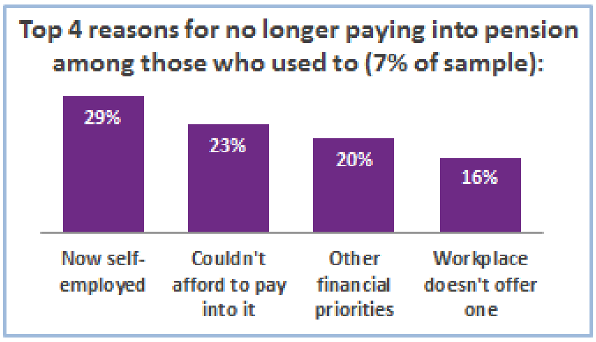
The survey then finished with further profiling questions such as a question on when they intended to retire

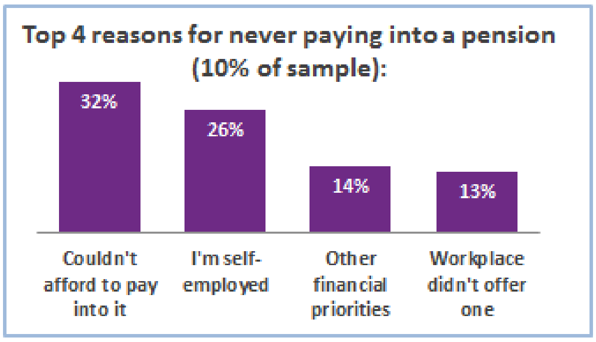


7.4 Screen out data

Anyone who was screened from our survey sample because they did not have a workplace pension, or had stopped paying into a workplace pension, was asked why they had made this decision. We asked this before they were routed out of the survey.

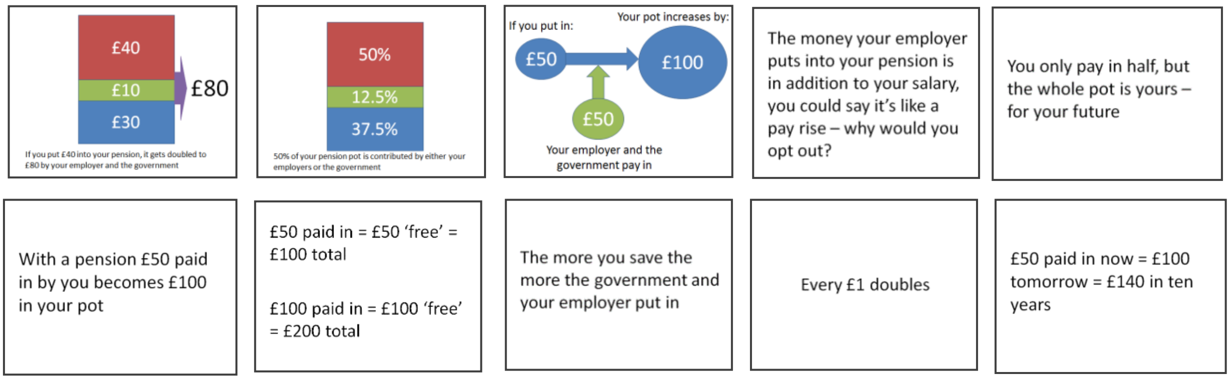
Self-employment and expense were the main reasons given in each instance:





7.5 Messages tested at each stage of the research

Messages shown to the consumer 'Dragon's Den' panel:



The current State pension is £8,060 a year

The more you save now, the better your future

The current State pension is £8,060 a year: saving into a workplace pension will mean less cost cutting in the future

The current State pension is minimal; saving into a workplace pension will help replace income

Pension: a tax efficient savings vehicle

Pension: a savings account your employer and the government contribute to

Pension: the only savings the government and your employer help you grow

Workplace pension: your employer does all the work for you

Pensions are heavily regulated – no matter what happens, your money is safe

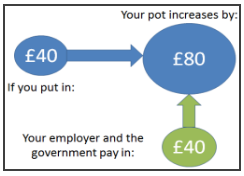
Pensions: the savings you can't dip into

You put in £80 the government puts in £20

You put in £80 the government gives you £20 tax relief

Messages tested across the six focus groups and six depth interviews:

If you put £40 into your pension, your employer will put in £30 and the government will add £10 so that a total of £80 goes into your pension.



Paying an extra £40 into your pension today becomes at least £50 tomorrow

Increasing your contribution by 1% of the average salary in each of the next five years would add at least £32,000 to your pension in 20 years*

Saving into a workplace pension now will mean fewer money worries in your retirement

The current State pension is £155 a week: saving into a workplace pension will mean less cutting back in your retirement

The current State pension is £8,060 a year: saving into a workplace pension will mean less cutting back in your retirement

The average person in their sixties that relies only on their state pension takes around **2 holidays** or short breaks a year.

For those that have made additional pension provision it's at **least 6**.

Workplace pension: a long-term savings account your employer sets up for you

Pension: a tax efficient savings vehicle

Pension: a long-term savings account your employer and the government contribute to

You put in £40 and the government contributes at least another £10

You put in £40 and the government gives you at least another £10 in tax relief

You put in £40 and you get £10 from the tax you save

Pension:
A way of helping you and your family financially when you are older

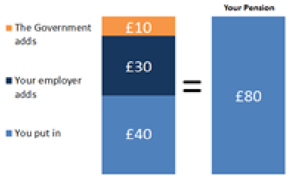
Pensions are regulated so your money is protected

Pensions: the savings you can't dip into

Messages tested in the online survey, (c.500 responses):

Message 1

Based on standard contribution rates under Automatic Enrolment



Message 2

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 *

*Assumes 2% real growth and average salary of £25,000

Message 3

The current State pension is £8,060 a year which is £155 a week: saving into a workplace pension will mean a more comfortable retirement

Message 4

Workplace pension: a long-term savings account your employer and the government contribute to

Message 5

When you pay money into your pension, the government pays money into your pension too - if you pay income tax, the government puts the money you would otherwise have paid in tax in to your pension