Turning Financial Education into Financial Engagement

Indiana CUPA-HR Spring Conference
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Don Harris
Sr. Vice President, VALIC
Moving from Financial Education to Financial Engagement

Today’s Agenda

Financial education: Why is it important?
  • Financial education research and resources

Building financial engagement

Improving your communication

Some practical steps for today
Building a foundation for retirement readiness

- Employee financial security
- Investments
- Financial education
- Plan administration & compliance
- Fiduciary responsibility & process
Why is financial education important?

• Personal savings rates & consumer debt

• Lottery sales: 42 states & DC
  > $60 billion annually
  > Average Massachusetts adult: $860.70 per year

• 2013 EBRI Retirement Confidence Survey
  > More people with little or no savings
  > Fewer workers saving for retirement
US Personal Savings Rate vs Household Debt
Financial Preparation for Retirement

Workers who have saved

- 34% of employees have saved
- 66% of employees have not saved

- 12% have saved $250K or more
- 12% have saved $100K - $250K
- 10% have saved $50K - $100K
- 9% have saved $25K to $50K
- 11% have saved $10K to $25K
- 18% have saved $1K to $10K
- 28% have saved less than $1K

2007 to 2013, employees with <$10,000 increased from 35% to 46%
2009 to 2013, employees with <$1,000 increased from 20% to 28%

EBRI and Matthew Greenwald & Assoc., 2013 Retirement Confidence Survey
Active preparation for retirement

Workers currently saving

- Income < $35K: 24%
- Income $35K - $75K: 76%
- Income $75K+: 94%

EBRI and Matthew Greenwald & Assoc., 2013 Retirement Confidence Survey
American Workers’ Retirement Confidence

- Very: 13%
- Somewhat: 38%
- Not too: 28%
- Not at all: 21%

EBRI and Matthew Greenwald & Assoc., 2013 Retirement Confidence Survey
Preferred approach to financial decision making

One size doesn’t fit all for making financial decisions

- H Ed - Need financial professional to make decisions
  - 8%
- H Ed - Have the professional manage your investments
  - 13%
- H Ed - Actively partner with financial professional
  - 30%
- H Ed - Follow recommendations from a professional
  - 18%
- H Ed - Make decisions after considering advice from others
  - 45%
- H Ed - Get guidance from a professional, but make own decisions
  - 47%
- H Ed - Research on your own and make your own decisions
  - 16%
- H Ed - Research on your own and make your own decisions
  - 20%
- H Ed - Don't know / Refused to answer
  - 1%
- Don't know / Refused to answer
  - 2%

-EBRI and Matthew Greenwald & Assoc., 2011 Retirement Confidence Survey
-2010 Higher Education Retirement Confidence Survey, TIAA-CREF Institute
Money Attitudes and Retirement Plan Design: 
One Size Does Not Fit All

> MacFarland, Marconi, Utkus (2003)

> Most financial education assumes rational participants should act like a financial planner

- Maximize their understanding and opportunity to accumulate and distribute

> 5 identifiable clusters with distinct money attitudes and behaviors

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<thead>
<tr>
<th>Segment</th>
<th>%</th>
<th>Vision</th>
<th>Interests &amp; Info Sources</th>
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<tbody>
<tr>
<td>Successful planners</td>
<td>21%</td>
<td>Strong vision, clear goals</td>
<td>Enjoys planning, seeks info</td>
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<td>Up &amp; coming planners</td>
<td>26%</td>
<td>Similar but w/ uncertainty</td>
<td>Disciplined, enjoys finances</td>
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<td>Secure doers</td>
<td>20%</td>
<td>Saves but not goal-focused</td>
<td>Risk averse, limited info</td>
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<td>Stressed avoiders</td>
<td>19%</td>
<td>Worried – future &amp; money</td>
<td>Confused, least confident</td>
</tr>
<tr>
<td>Live-for-today avoiders</td>
<td>14%</td>
<td>Not focused at all: “too far”</td>
<td>No interest in planning</td>
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Implications for financial education efforts:
- Over 50% not disposed to planning, goal-focused, making informed decisions
- 33% not saving, interested or sure of what to do
Comparing Money Attitudes with EBRI results

- Identifiable clusters with distinct money attitudes and behaviors
- Interesting overlap with decision making orientation

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Considerations for financial education efforts:
- 20% disposed to planning, goal-focused, making informed decisions
- 80% varying degrees of help
- Frightened, confused or dismayed ???
- Simpler decisions, less information, reduced complexity, fewer choices
Resources for financial education research

Employee Benefits Research Institute
www.ebri.org/

Pension Research Council (Wharton School)
www.pensionresearchcouncil.org/

TIAA-CREF Institute
www.tiaa-crefinstitute.org/institute/index.html

Financial Literacy Center (Rand Corp., Dartmouth, Wharton)
www.rand.org/labor/centers/financial-literacy.html

Michigan Retirement Research Center
www.mrrc.isr.umich.edu/

Center for Retirement Research at Boston College
crr.bc.edu/
What does financial education research tell us?

Consistency of findings

• Improving communications boosts participation
• Frequency directly correlates with results
• Seminars improve voluntary participation, contribution rates and asset allocation
• Internalizing retirement realities (cost of goals) can motivate changes in behavior and/or goals
• NHC employees benefit most from financial education

Additional benefits cited

• Reduced stress; improved financial decisions
• Improved job performance and productivity
Is financial education enough?

Ignoring reality

- If I don’t think about it …
- 58% have not calculated $ needed for retirement
- 39% for higher education employees

Hard to internalize an unknown

- What does this mean to me? …and my lifestyle?

Creating sense of urgency

- Why should I bother?
Building financial engagement
Building financial engagement

Financial engagement is …

• **Responsibility**: the focus is on outcomes
  – Am I on track for retirement readiness?
  – What is my responsibility for the outcome? …my employer’s?
  – What can I do to influence my results?

• **Involvement**: saving more, saving longer, saving smarter
  – What can I control? ( … and not control?)
  – Where do I turn for assistance?
  – What planning resources are available to me?

• **Action**: how do I take the next step?
  – What do I need to do today?
  – How do I build on prior decisions/actions/inactions?
  – How can I increase my confidence in achieving my goals?
Personal financial needs hierarchy
with apologies to Abraham Maslow and A Theory of Human Motivation

- **Physiological**: Food, shelter, utilities, basic money needs
  - Need: (Pay)
  - Get: (Recognition)
  - Give: (Stimulation)
  - Enrich, Enhance: (Add value)

- **Safety**: Stable income, budget, saving, insurance, emergency fund
  - Need: (Pay)
  - Get: (Recognition)
  - Give: (Stimulation)
  - Enrich, Enhance: (Add value)

- **Belonging**: Goal planning, credit, investing, will, mortgage
  - Need: (Pay)
  - Get: (Recognition)
  - Give: (Stimulation)
  - Enrich, Enhance: (Add value)

- **Esteem**: Wealth creation, investment mgmt, advanced planning
  - Need: (Pay)
  - Get: (Recognition)
  - Give: (Stimulation)
  - Enrich, Enhance: (Add value)

- **Self Actualization**: Financial independence
  - Need: (Pay)
  - Get: (Recognition)
  - Give: (Stimulation)
  - Enrich, Enhance: (Add value)
Employee Financial Education

Assess needs and address financial literacy
• Budgeting basics
• Using banks and credit unions
  • Setting up direct deposit and online bill payment
• Credit, debt and cash flow management
• Taxes and identifying available credits
• Basic investing, risks, inflation and compound interest
• Understanding your benefits & Social Security

Provide targeted solutions for at-risk groups
• Tailor material to audience
• Provide clear, simple next steps for employees to follow
Turning financial education into financial engagement

Start with clear objectives

1. Develop employees’ responsibility for financial future
2. Improve employees’ financial decision making
3. Build / deepen employees’ trust and loyalty
4. Traditional objectives:
   - Increase employee participation and contribution rates
   - Improve asset diversification
   - Adequacy of assets to support retirement needs
   - Develop effective communications, channels, activities
   - Minimize loans and in-service distributions
Creating and implementing your plan

- **Determine ownership and accountability**
  Responsibility for activities, metrics and results

- **Analysis of workforce and needs assessment**
  Drill down on demographics and participation behavior at sub-group level

- **Determine clear objectives – define success**

- **Analysis of available resources and identify gaps**
  Budget, facilities, channels, influencers, partners

- **Plan & integrate elements to reach targeted employees**
  Messages, channels, media, specific services or languages
  Creativity, convenience, access, family

- **Promote**: schedule, invite, tweet, email, call, personalize & confirm

- **Follow-up, feedback, measure & analyze results, learn & improve**
  Phase-in new approaches, new messages, new tools
Improving your communication

*The Pension Communications Project 2010*

- Spence, Johnson Ltd., 2010
- 90 DC communication campaigns from 9 countries

**14 key communication themes:**

1. Simplification of complex ideas
2. Creative ideas / graphics
3. Call to action
4. Segmentation of audiences
5. Personalization of messaging
6. Multi-channel approach
7. Latest technology
8. Communicating in person
9. Earning of trust
10. Research drives the message
11. Low-cost approach
12. Adaptability and flexibility
13. Testing and refinement
14. Phasing of initiatives
Some Practical Steps
You Can Take Today
Practical steps for today

Two-way communication

- Periodic employee surveys on financial concerns
  - What topics they want to know about
  - How they want to receive the information
  - Additional services they would find helpful
- Periodic tweets or email blasts with links
  - Calculators, videos, articles on retirement and financial issues
- Retirement “inbox” for employees
  - Allow retirement providers to offer solutions to questions
- Departmental meetings
  - Smaller group meetings, more informal, better attended
Practical steps for today

Targeting opportunities and teachable moments

New hires -
• 1-page summary and instructions in orientation packet
• Senior leader quotes or article emphasizing importance
• Encourage/require 1:1 retirement counseling early

Promotions, grade changes, salary increases
• Simple message, illustrate tax savings
• Email with paycheck comparison calculator link

Special messages for low/non-contributing
• Illustrations, calculators, individual counseling

Annual personalized illustrations for all employees
• Just prior to enrollment, simple steps to follow
Practical steps for today

Set a good example

Create a culture of saving and financial responsibility
- Centers of influence, senior leaders, managers and supervisors
- Respected retired faculty and staff members

Make help accessible
- Provide on-site counseling
- Allow paid time off to attend meetings
- Encourage family, friend or even supervisor involvement

Respect your audience
- Add estimated “time to complete” to clear instructions
- Build communication around identified needs

The difference between stereotyping and cultural accuracy is all in the details
Practical steps for today

Get Creative

Offer tax assistance for lower paid employees
  • Take advantage of applicable credits

Provide personalized illustrations
  • 58% have not calculated the amount needed for retirement
  • 39% for higher education employees

Try an employee video contest (younger engagement)

Create target-specific video testimonials
  • Address specific issues directed to subset
  • Supplemented with counseling, web and print

Link financial health to wellness campaign
  • Add health activity points for voluntary contributions

-EBRI and Matthew Greenwald & Assoc., 2012 Retirement Confidence Survey
-2010 Higher Education Retirement Confidence Survey, TIAA-CREF Institute
Closing thought …

Never, never, never give up!

- Sir Winston Churchill
Questions?

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