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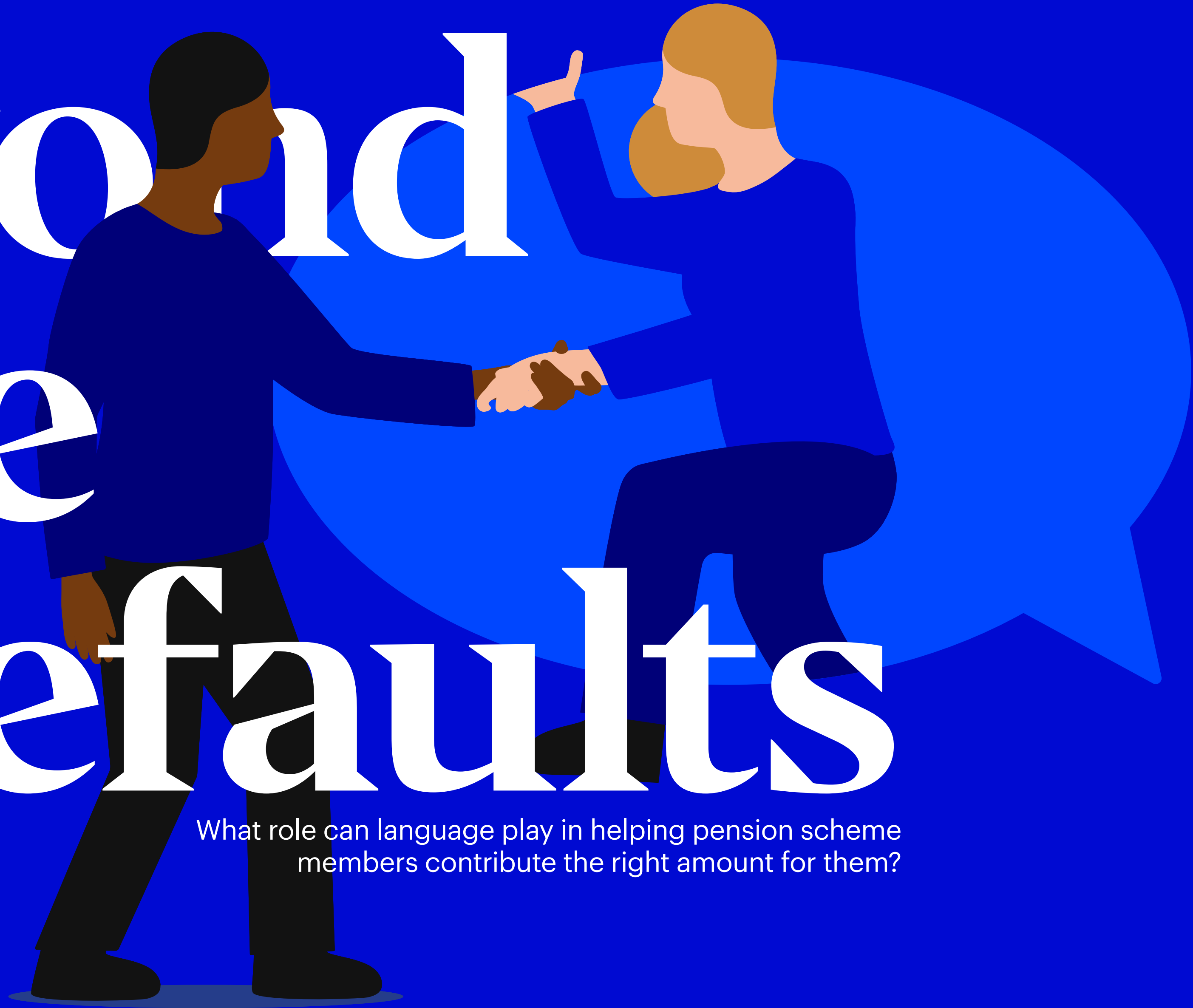
nest insight

Beyond the defaults



What role can language play in helping pension scheme members contribute the right amount for them?

This research is a collaboration between Invesco, maslansky + partners and Nest Insight

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About Nest Insight
Nest Insight is a collaborative research unit set up by Nest Corporation to help understand and address the challenges facing Nest members and other defined contribution savers. For more information, visit: nestinsight.org.uk

About Nest Insight's strategic partner
Invesco is an independent investment management firm dedicated to delivering an investment experience that helps people get more out of life. Building on its strong track record in defined contribution research, and its existing partnership with the University of Cambridge Judge Business School, Invesco partnered with Nest Insight to support its ambitious programme of research, publications and events.
For more information, visit: invesco.co.uk NYSE: IVZ

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Stephen Messenger
Head of UK Strategic Institutions, Invesco

Foreword

I am delighted to share our first piece of research in partnership with Nest Insight.

Since its introduction in 2012, auto enrolment in the UK has been an unparalleled success in mobilising future pensioners on their savings journey. The next question, as defined contribution (DC) practitioners, is whether this in itself will be enough and, if not, what steps can we take?

This report looks to contribute to the important debate about engaging members to help frame their actions relating to pensions in a positive manner, and to save the right amount for them so they are the beneficiaries of a comfortable retirement.

Throughout the process of researching and writing this report, many workers in the UK and around the world have been going through an unprecedented series of shocks to their careers and incomes brought on by Covid-19. Against this backdrop, we have been struck by how resilient the DC approach can be, with the vast majority of auto enrolled workers continuing to contribute at their defaulted rate.

This must be applauded as a resounding endorsement of auto-enrollment. But whilst it's an approach that has got the mass population saving for retirement, it may also be a reminder that we need to build on these strong foundations and start nudging members beyond their established 'default' behaviour; to be engaged and shape their choices around their own long term needs.

The following report doesn't seek to suggest that language alone can solve the challenge, but we do hope it provides an important set of building blocks on which to build greater awareness with members and more deliberate choices about their retirement savings.

We hope that the findings of this report help you in your day to day work supporting your members.

Executive summary

This report explores a challenge at the heart of pensions auto-enrolment. The approach has been successful because it harnesses people's inertia. Yet this same inertia is the thing that's standing in the way of people engaging with their levels of saving.

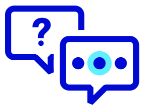
In this new piece of research, we ask whether better uses of language can help overcome some of the barriers that stand in people's way when they try to consider their savings choices. We explore these barriers in detail, including the misapprehensions people begin with. We consider the language the industry uses to talk about the money people save, and the actions they can take, and test different forms of language that might help them navigate around these blocks and barriers.

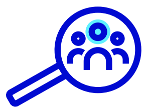
Our aim throughout has been to identify practical approaches that can boost the effectiveness of interventions targeting positive behavioural outcomes for scheme members. The research questions we set out to answer are:

1. How do people understand pension contributions currently – what are the comprehension and awareness barriers to engagement and action?
2. How can language and message framing around contributions be better used to help improve the success of interventions designed to help people to save the right amount for them in retirement?

We combined three different research methods, applying innovative methodologies including the use of Emotional Response dial technology. Our iterative approach included:

Expert interviews





Qualitative research

Quantitative research

Key themes and findings

We began by looking at the significant **barriers** people face when they try to engage with their contributions. The automatic nature of enrolment, and the default contribution settings, set up powerful anchors that bind people to the status quo. On the flip side, there is much that is off-putting about the whole edifice of pensions information, including too much use of technical language and difficult concepts like percentages. The industry has also not always been good at answering the question 'what's in it for me?' around engaging with contributions.

Next, we identified some **foundational messages** that can help fill common shortfalls in people's knowledge and understanding:

1. 'You can contribute more to your pension'
2. 'You can make a difference to your financial security in later life by rethinking the amount you contribute to your pension'
3. 'Contributions you make when you are younger work harder for you'

We then explored a range of different versions of key messages about contributing to a pension. By making granular comparisons between different approaches we were able to see big differences in the level of comprehension and engagement that can be achieved by saying the same thing in a different way.

In this report, we present these findings using a framework developed by Invesco Global Consulting – communications should be Positive, Plausible, Plain spoken and Personal:

Positive

Positivity is a powerful tool in building engagement. It is also, perhaps, an under-used approach in communications about retirement saving. Too often, these can focus on what people are not doing or how they are missing out. For instance, messages about gains resonate more than those about avoiding loss. A 'you can' is more likely to engage than a 'you should'. And messages that highlight the benefits of 'free money' and 'growth' are more powerful than those about contributing the right amount or taking responsibility.

Plausible

It might be tempting to try to motivate people to save by painting a picture of an aspirational future. Yet employees are resolutely pragmatic about retirement saving. Credible framing of the benefits of saving is more likely to connect than visions of a 'dream' retirement. 'Financial security' is more motivating than 'financial independence'. The idea of 'security' is known to be an important part of financial wellbeing. It may also be particularly salient in a time of great uncertainty.

Plain spoken

Technical language creates barriers to engagement. Plain-spoken alternatives attract more interest amongst pension scheme members. That said, the word 'contribution' seems to work for them, in spite of some negative connotations. Still, they need clear, plain-language explanations to understand what contributions are and how they work. They're also more interested in hearing about what they will get out than what they put in. And when it comes to retirement outcomes, it's important to present these in terms of pounds-and-pence income, rather than talking about final pot values or percentages.

Personal

Messages should be framed from the individual's point of view, rather than the scheme's or employer's perspective. Messages that used the words 'you' and 'yours' are more engaging than messages that used the words 'our', 'company' or 'members'. Language can be more powerful if it helps people recognise they are on a 'default setting' – and suggests they move from this by customising their retirement savings around their personal situations.

Finally, we explored whether certain **moments** or **methods** of communication are more effective in boosting engagement and nudging people beyond the defaults. Milestones in the workplace and in personal finances appear to be more relevant than personal milestones. We also found that the pension provider is most expected and trusted to provide information to people. However, a significant proportion of employees see this as the employer's role, particularly younger workers.

Quick read

Invesco, Nest Insight and language strategy experts maslansky + partners conducted research to identify the barriers to engagement with pensions and understand how simple changes to the language used to talk about saving could help scheme members overcome them.

How we did it

8

industry expert interviews to identify perceived barriers to engagement, best practices and desirable outcomes.

33

UK pension savers in four focus groups, to gauge responses to barriers and evolve the language that helps to overcome them.

1,500

more UK pension savers surveyed to validate and quantify our learnings.

What are the barriers to engagement?

2 out of 5 didn't know they can choose how much they pay into their pension.

1 in 3 think minimum contribution rates are a recommended level of savings.

2 in 3 said they have left their contributions at the default savings rate.

1 in 3 weren't aware that their employer also pays into their pension.

Messages for change

In line with the framework set out on the previous page, this research identifies that messaging around pensions should be 'Positive, Plausible, Plain spoken and Personal'. For example:

Positive

✓ If you take action, you could be on track for a comfortable retirement.

✗ If you do not take action, you could be at risk of outliving your money.

Plausible

✓ Financial security

✗ Financial independence

Plain spoken

✓ Contributions

✗ Retirement salary

Investments

Savings

Personal

✓ Create a personalised savings plan that fits with your vision of retirement.

✗ Create a savings plan that stays in line with how peers your age are saving.

1

The UK's auto enrolment system is now well established. Millions more employees are contributing to workplace pensions. Yet engagement in retirement saving is as low as ever. Few people have moved beyond the default contribution levels that were set for them by the government. To achieve financial security in later life many will need to contribute more than the minimum.

UK auto enrolment – the story so far

Starting in 2012, the UK government introduced mandatory automatic enrolment for the majority of workers. Fast forward to today and over ten million people are newly saving at a rate of at least 8% of a band of earnings. This policy was one of the largest ever applications of a 'nudge' approach to achieve a policy goal. Under auto-enrolment, no worker is compelled to save – all are given the choice of opting out of saving if they wish – yet the outcome is that many millions more are putting money aside for the future.

The policy has created a whole new cohort of pension savers, who we might call 'generation default'. When compared to a traditional pension participant, the average auto-enrolled worker is more likely to be on a low to middle income and to move jobs more frequently. They are also more likely to rely on defined contribution (DC) saving to fund a comfortable retirement. This places on them a greater individual responsibility for saving enough.

This is the challenge at the heart of auto enrolment. The approach has been successful because it harnessed the very inertia that was stopping people saving. Yet as a result these same people are less engaged than people who've actively opted in. This is why the focus for policy makers and industry is now shifting, from getting people to start saving, to encouraging them to save enough.

The contribution challenge

These efforts are tending to focus on the level of contributions that auto-enrolled savers are making. A session poll at this year's Pensions and Lifetime Savings Association (PLSA) conference found that the majority of attendees (63 per cent) saw contribution levels as the most pressing issue facing auto-enrolment.[1] There's a concern that the minimum contribution rates required in auto-enrolment might be becoming anchors – in other words, that workers see them as the recommended amounts they should be saving. There's growing concern about what this means for retirement outcomes.

It's certainly true that very few people increase their contribution levels over the minimum rates. We should be cautious here. Not everyone needs to save more and there is a risk of over-saving for a minority. Many people are facing significant short-term liquidity pressures, or have costly debts to manage. Still, its clear that many people will need to save more than the minimum amount, if they're to achieve financial security in later life. This is especially true of those who have started saving later in life.

[1] https://www.pensionsage.com/pa/PLSA-AC-2020-evidence-based-changes-needed-to-address-pressing-AE-issues.php

“

We have this absolute national disease of 'official letter writing', where we write letters that would be so much better if they were a prescription for sleep. They write in official complicated language that people don’t understand, and it's done to protect the writer.[4]

Martin Lewis
The Money Saving Expert executive chair

A role for language?

Words alone are rarely enough to change behaviour, especially when the change is needed on a national scale. It’s relatively easy to persuade someone that saving for retirement is a good idea – provided you can gain their attention in an ever-noisier communications environment. Yet decades of industry experience and academic studies have shown that it’s quite another matter to translate this good intention into action. The behavioural biases that stand in the way of retirement saving are well-known and they can be much more powerful than any positive intention to save.

This is why auto-enrolment has proven such a popular choice for employers and policy makers around the world. It achieves an outcome most people want – putting something away for the future – without first forcing them to overcome their personal barriers to taking action. Yet the limitations of this approach are also well understood. In particular, we know that people who are automatically enrolled into pensions are less engaged with their savings than those who actively opt in.[2]

But auto-enrolment is not the only nudge. Behavioural economics also has broad application in helping people to make their own, active choices. Behavioural science pioneer Daniel Kahneman[3] describes the nudge approach as a focus on removing barriers, making behaviour changes easier for people. He contrasts this to traditional methods that involve a combination of arguments, promises and threats. These old methods, he suggests, are more likely to create additional stress and reinforce barriers, leading to inaction instead of action.

So what is the role of language in behaviour change? Our choice of words can help make our arguments more forceful, our promises more beguiling, or our threats more menacing – but Kahneman’s argument is that such uses of language only serve to reinforce the traditional approach. Alternatively, we could follow his advice, and consider how improvements to the language we use might help remove the barriers that stymie people’s positive savings intentions. This is the approach we have taken in our recent research. We started by exploring the barriers people face, including many of the misapprehensions they begin with as they consider their savings choices. We then tested different forms of language that might help them navigate around these blocks and barriers.

The recommendations in this report won’t on their own convert a generation of default savers into active decision makers. They should, however, help brush aside much of the conceptual clutter and confusion that’s stopping people taking retirement into their own hands. When combined with behavioural interventions, they could prove powerful levers for change.

A good time to change

This report is not the first to suggest that there’s room for improving the language used by pensions professionals. As Martin Lewis recently said,

“We have this absolute national disease of ‘official letter writing’, where we write letters that would be so much better if they were a prescription for sleep. They write in official complicated language that people don’t understand, and it’s done to protect the writer.“[4]

Now, perhaps, more than ever, there’s the opportunity and the need to improve this situation. With automatic enrolment bedded in across the UK, and with pensions dashboards on the horizon, there’s never been a better time to consider the language the industry uses to talk about the money people save for retirement, and the actions they can take. Or, indeed, to talk about how to save the right amount to achieve financial security in retirement.

[2] https://www.pensionsage.com/pa/PLSA-AC-2020-evidence-based-changes-needed-to-address-pressing-AE-issues.php

[3] Kahneman, D. (2011). Thinking, fast and slow. New York: Farrar, Straus and Giroux

[4] https://www.pensionsage.com/pa/PLSA-AC-2020-Martin-lewis-calls-for-greater-member-engagement-throughout-ae-process.php

2

This research seeks to understand what role language can play in helping pension scheme members contribute a suitable amount. It aims to identify key words and messages that can help build engagement in pension saving.

Research questions

We know that language matters. Words and phrases have the power to open up new understanding and engagement. They can also throw up barriers to comprehension and turn people off.

In this research we wanted to explore, at a granular word-by-word level, what language works and what doesn't. We sought to identify practical approaches that can boost the effectiveness of interventions targeting positive behavioural outcomes for scheme members. These approaches can be used by pension providers, advisors, employers and public sector organisations alike. They might support a range of behavioural outcomes, whether encouraging people to log into their pension accounts for the first time, check their projected retirement incomes or, if appropriate, increase their contribution levels or make additional contributions to their pension pots.

Specifically, the research questions we set out to answer are:

- How do people understand pension contributions currently – what are the comprehension and awareness barriers to engagement and action with contributions?
- How can language and message framing around contributions be better used to help improve the success of interventions designed to help people to save the right amount for them in retirement?

Research team

This research is a collaboration between Invesco, Invesco Consulting, maslansky + partners and Nest Insight. The different skills and expertise of the teams involved allowed us to bring together a multi-method research approach to help us explore responses to the language commonly used today around pension contributions and to develop and test alternative words and phrases.

Methodology

We combined three different research methods in an iterative approach to address the research questions.

1. Expert interviews

We conducted interviews with eight experts from within the pensions industry, including scheme trustees, pension providers and advisors and benefits consultants. Question areas covered included:

- Barriers to and drivers of engagement with pension saving
- Views on more and less effective ways of talking about contribution levels including concepts, words and phrases and rules of thumb
- Examples of approaches to member engagement that have worked well or less well
- Desirable behavioural outcomes
- Impacts of the Covid-19 pandemic on member attitudes and behaviours.

Following the expert interviews we developed a set of different words, message frames and questions to take forward into research with workplace pension scheme members.

2. Qualitative research

The next stage was to explore how workplace pension scheme members would respond to the stimulus materials we'd developed, as well as evolving the language we used. In June 2020 we conducted qualitative research with both individuals and groups. Participants were recruited for the 2-Step Emotional Response sessions to meet the following criteria:

- A roughly even mix of males and females
- A mix of ages 22–54
- A mix of education levels
- All employed full-time or part-time, with a maximum of two people per group who had been furloughed due to Covid-19
- A range of employer sizes
- All members of a defined contribution workplace pension scheme
- All with individual income between £18,000 and £45,000 per year
- All checking their pension balance once per year or less
- All shared or sole decision maker on household finances

40 participants took part in the individual online pre-work sessions lasting around 15 minutes. 33 of these participants then went on to take part in one of four online discussion groups. Each discussion group lasted two hours and involved 6-8 participants. The groups were split as follows:

- Group 1: all earning £18K–29K per year and age 22–39
- Group 2: all earning £30K–45K per year and age 22–39
- Group 3: all earning £18K–29K per year and age 40–54
- Group 4: all earning £30K–45K per year and age 40–54

Step 1: The online pre-work

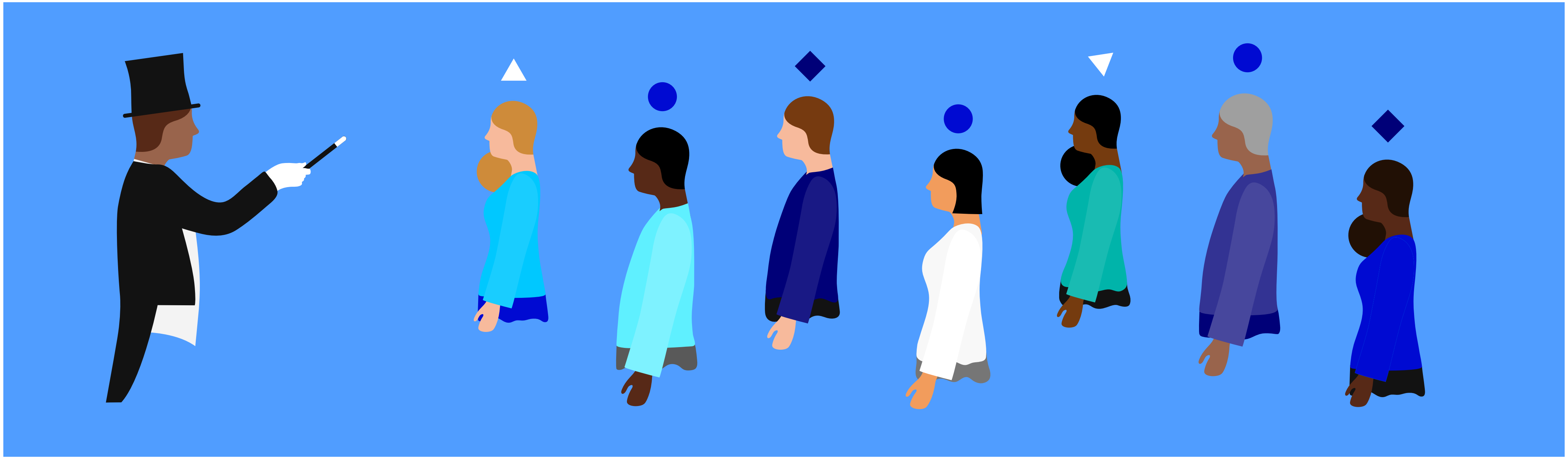
Participants were first shown different explanations of what contributions are and asked to highlight any words or phrases that they particularly liked or didn't like. They were then shown 14 different message frames, voiced by an actor. Message stimuli adhered to an overarching flow of Objective 1, Objective 2, and Objective 3, but were rotated within their respective sections during the pre-work period to ensure participants were exposed to the stimuli in various orders. There was a slider tool directly below the film with a scale ranging from 0–100. They were asked to react to each film using their mouse to tell us whether they had a positive or negative response to each phrase they were hearing.

At each video the slider started at 50 which participants were told was neutral. If what they heard made them feel more positive, they were instructed to move the slider up toward 100. If what they heard made them feel less positive, they were asked to drag the slider down toward 0. They were asked to use the entire range of the slider and keep reacting second by second, every word, for the entire message. Between some films, participants were asked a multiple-choice question pertaining to language preferences. After each film was over, they were asked a few questions about it. They were also shown examples of communications they might receive from their employer or pension provider and asked to rank them or give feedback on them.

Step 2: The discussion groups

Discussion groups were conducted remotely by video, as the country was at the time in full lockdown in response to the Covid-19 pandemic. One benefit of this approach was that it allowed participants from a broad spread of UK locations to take part. During the video call participants were asked at certain points in the discussion to give their individual feedback on questions via a chat function. The discussion covered:

- Associations with pension schemes and contributions
- Attitudes and behaviours around contribution levels and pension saving
- A deeper discussion around the message frames looking at language to:
  - Define what contributions are
  - Engage members in how much they are currently contributing
  - Prompt them to question whether the minimum contribution levels set under auto enrolment are right for their circumstances
- A prioritisation of the messages and a chance for participants to suggest their own language to prompt someone to check how much they are saving into their pension.



3. Quantitative research
Following the qualitative research we validated and quantified the learnings in a 20-minute online survey conducted with 1,500 participants in August and September 2020.

The participants were all:

- Living and working in the UK
- Covered by automatic enrolment and working for an employer offering a defined contribution pension scheme
- Aged 22–54
- With individual income between £10,000 and £60,000 per year

The sample profile was:

- 55% female; 44% male
- 45% aged 22–40; 55% aged 40–54
- 20% earning £10,000–19,999; 30% earning £20,000–29,999; 21% earning £30,000–39,999; 17% earning £40,000–49,999; 12% earning £50,000–59,999
- 83% employed full time; 14% employed part time; 3% furloughed under the government Job Retention Scheme

The questionnaire covered:

- Demographics and household financial context
- Workplace pension attitudes and behaviours
- Language preferences around contributions
- Awareness and understanding of key concepts including employer contributions, tax relief, ability to contribute more than the minimum contributions under auto enrolment
- Preferences for and trust in different channels and messengers
- Responses to different language and messages.

3

Through our research, we identified barriers to engagement with pension contributions, foundation messages that could unlock engagement and ways to optimise the language about retirement saving. We also explored when and how to talk about contribution levels with scheme members who have been auto-enrolled.

16% of employees said they had never checked their pension balance

Barriers to engagement with pension contributions

'Generation default' – those brought into workplace pension saving under auto enrolment from 2012 onwards in the UK – feel quite positively, at a high level, about their workplace pension:

- Nine out of ten said they have somewhat or very favourable opinions of their plans.

"It helps me plan for the time when I stop work, so I'm comfortable and not worried."
- £18K–29K per year, age 22–39

They also recognise the contributions made by their employer as a benefit they've been given. This is in spite of the fact that they've been defaulted into pension saving, and that their employers were mandated to enrol them and make a contribution.

- Eight in ten (78%) believe that employer contributions are something that their employer gives them, rather than owes them.

Yet 'generation default's' engagement with their workplace pension saving is low. We know from other research that a significant minority are not aware that they are saving at all. For example, Aon found that one in five (20%) of employees may not know they've saved into their company pension[5]. In Nest's scheme data we can see that only around a quarter of Nest members have ever logged into their online account[6]. In this research, we saw low levels of interaction with money already saved in workplace pensions. 16% of employees said they had never checked their pension balance.

This is more likely to be the case for certain groups:

- Younger: 20% of under 40s
- Lower earners: 27% of those earning £10,000–19,000
- Those working part time or on furlough: 23%
- At smaller employers: 23% of those working for an employer with fewer than 50 employees
- Women: 20% female vs 12% male

The minimum contributions under UK auto enrolment are:

- 5% of eligible earnings for the employee, 1% of which is made up of tax relief
- 3% contributed by the employer[7]

Some employers may choose to contribute more than the minimum on behalf of their employee, or to offer tiered matching schemes where they contribute more if the employee also raises their contribution from the minimum. Some workers on lower incomes will save through auto enrolment at the minimum levels through their working life. This will provide quite a reasonable replacement rate of income when combined with their State Pension entitlement. Many, though, will need to save more to achieve the financial security they would hope for in retirement.

Despite this, few workers contribute more than the minimum amount:

- Around 2/3 (68%) of employees told us that they followed the default contribution when they joined their workplace pension scheme.

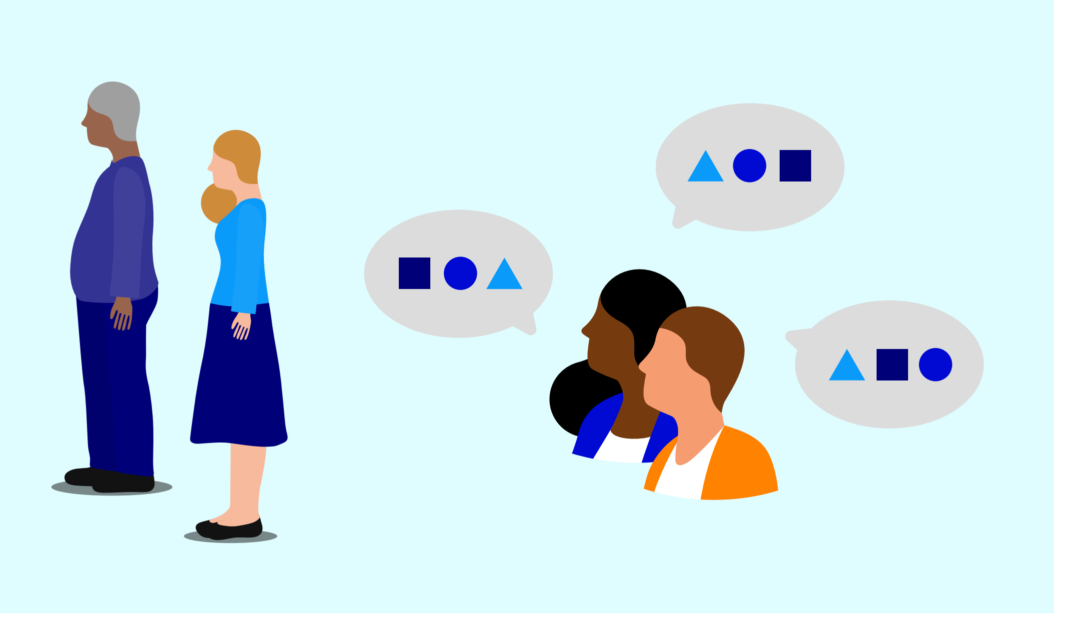
"I've always paid the minimum and never even looked into topping it up."
- £18K-29K per year and age 40-54

[5] Aon, Aon DC and financial wellbeing employee survey: living the dream (2018), retirement-investment-insights.aon.com/u-k/aon-dc-and-financial-wellbeing-member-survey-2018-uk-summary-1

[6] Nest scheme data (August 2020)

[7] https://www.gov.uk/workplace-pensions/what-you-your-employer-and-the-government-pay

People default to the minimum amount, since the minimum amount is what they assume the government recommends. If I get a letter asking for 5 pounds a week, I give 5. It doesn't ask for 10 so I don't give 10.



The defaults are 'sticky' and difficult to disrupt. As one industry expert said:

"People default to the minimum amount, since the minimum amount is what they assume the government recommends. If I get a letter asking for 5 pounds a week, I give 5. It doesn't ask for 10 so I don't give 10."

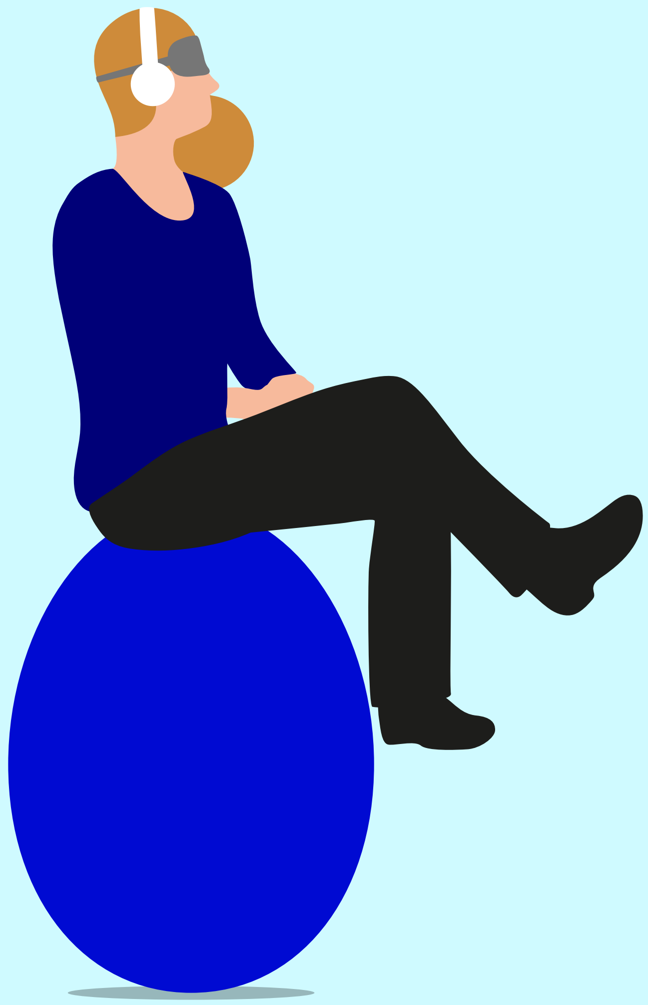
We have extensive research into the behavioural barriers that could prevent people considering or changing their contribution levels. Inertia means we are more likely to stick with the status quo than to make a change. Optimism bias makes us believe things will be better in future – that we will get a pay rise or contribute more when we are older. We value a smaller reward now over a larger reward in future – a bias that behavioural economists call hyperbolic discounting. Having the money now is worth more to us than having it in the future. In addition, there are contextual barriers. There is friction involved in making a change to something we rarely think about or interact with. People's pensions can feel remote and inaccessible. To see how much money I have saved and how much I am already contributing I need to log into an account I rarely use which will mean finding the log in details and navigating an unfamiliar journey.

The Covid-19 pandemic presents additional challenges to communicating about pension saving, but also opportunities. Around one in ten households may currently have greater capacity to save – versus a quarter with less money to spare:

- 65% had seen their household income stay the same in the past 6 months under the Covid-19 context
- 23% had seen their income drop
- 12% had seen their income increase.

There are also signs that the difficulty and uncertainty of the pandemic have made this topic more salient. Messages about saving for future security may feel more relevant to people now than they did a year ago. But there may also be higher levels of concern about affordability or about 'locking' money away when it may be needed sooner.

We also found knowledge and language barriers, which are compounding the barriers to engagement with retirement contributions.



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Even the word contribution is like giving something away.

Many are unaware of the ‘free money’ available when employer contributions and tax relief top up their own savings:

- Around a third (33%) say ‘I am the only one who puts money in my pension’
- Just over half (52%) don’t think or don’t know the government provides tax relief on their contributions.

Secondly, the language and concepts can feel complex. For example, many communications about contributions reply on percentages. They might express a contribution as a percentage of salary, or advise the member to save a certain percentage of earnings relative to their age. Percentages, though, can be difficult to interpret. One study suggests that one in five adults can’t work out either fractions or percentages[8]. This issue may be particularly acute in the UK, and it seems to be worsening. One international study of adult skills found the UK’s performance in numeracy was significantly below the OECD average. In England, younger adults were more likely to have difficulty with basic numerical problem solving than older adults[9].

“I’m a makeup artist, not an accountant. It’s always difficult for me to understand maths and it stresses me out.”

- £18K–29K per year and age 22–39

Thirdly, there may be conceptual issues with the language used to communicate how much people can or should save for retirement. The word ‘contribution’ may be more familiar to people as a term for an amount of money that they transfer or donate elsewhere rather than save for themselves. As one of our experts observed:

“Even the word contribution is like giving something away.”

Similarly, QuietRoom recently observed that the phrase ‘additional voluntary contribution’ communicates something that is ‘more than I need’, ‘spiritual not financial’ and ‘what I lose, not what I gain.’ Are there words and phrases that are getting in the way of engagement? And are there ways to address this either with different language or by using the existing language in different ways?

[8] https://www.theguardian.com/education/2016/mar/07/a-fifth-of-uk-adults-have-forgotten-how-to-do-fractions-or-percentages-mathematics-english-science

[9] OECD Survey of Adult Skills: https://www.oecd.org/skills/piaac/Country%20note%20-%20United%20Kingdom.pdf

Foundation messages to build awareness

Whilst language cannot overcome all these barriers to adequate retirement saving, it has the potential to address some of the knowledge gaps and conceptual issues. This research identified three key messages that could overcome knowledge barriers and build the foundational understanding people need to rethink their pension contributions.

01

'You can contribute more to your pension'

A key learning from this research is that many people don't know they can contribute more. When asked if they could change the amount that they pay into their workplace pension, nearly 1 in 5 said that had to stay at the same amount and nearly 1 in 4 were not sure **(Figure 1).**

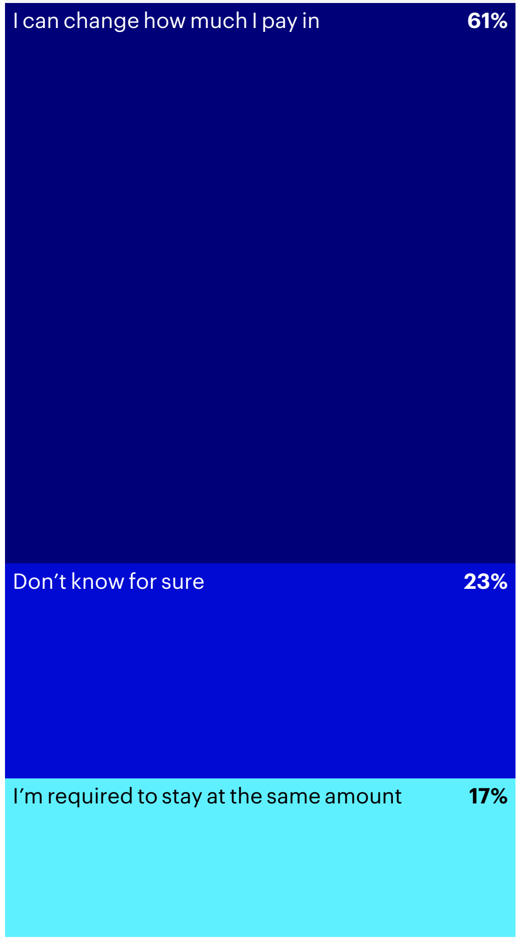
This was as true for higher earners as for lower earners – 19% of those earning £40,000–49,999 and 18% of those earning £50,000–50,999 said they are required to stay at the same amount.

"They never educated me as to how much I can contribute. I've been automatically put in the minimum and had no prior knowledge I could amend it."

- £30K–45K per year age 22–39

Clearly, if people don't know they can increase their contributions they are unlikely to do so. A basic but fundamental message is to tell people they can increase their contributions.

Figure 1
Can you change the amount you pay into your workplace pension, or are you required to stay at the same amount?



Clearly, if people don't know they can increase their contributions they are unlikely to do so. A basic but fundamental message is to tell people they can increase their contributions.

02

'You can make a difference to your financial security in later life by rethinking the amount you contribute to your pension.'

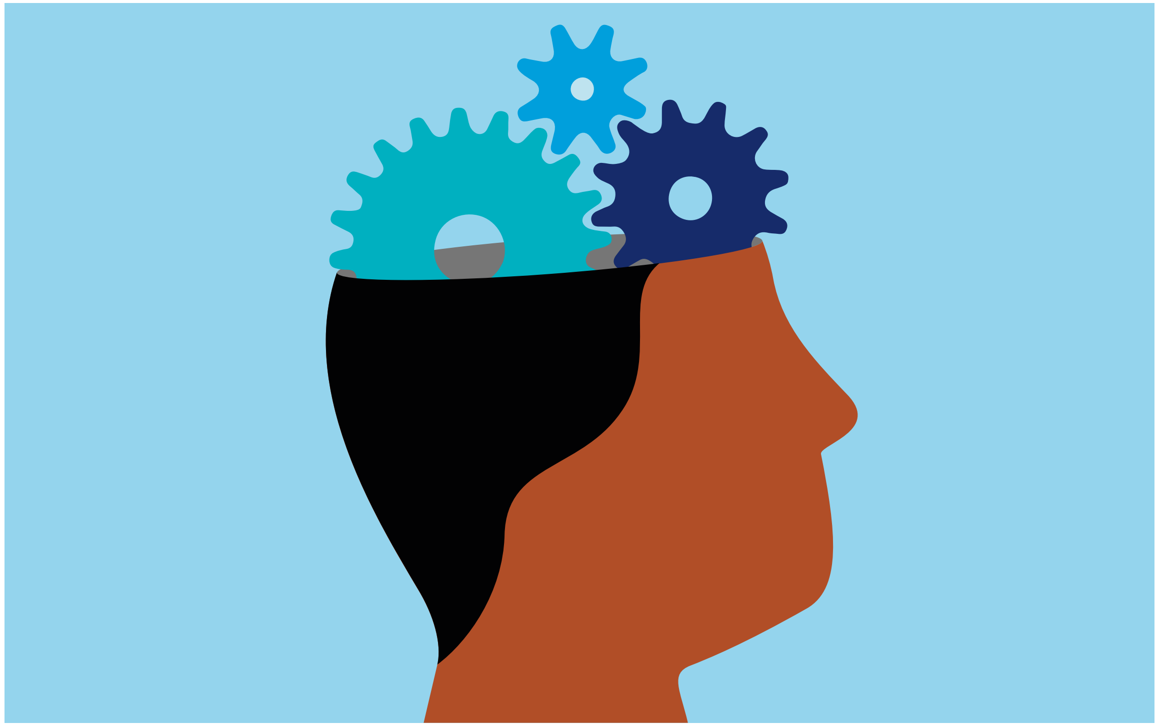
We know defaults are 'sticky' because of inertia. But their power goes beyond this. The default contribution levels set by the UK auto enrolment programme are seen by some as recommended amounts:

- One in three (33%) think 'the default amount is how much I am recommended to save'

  "I'm comfortable with the amount coming out of my wage. I don't have to worry about making sure I've chosen the right amount. Hopefully when I retire a long way off, I'm sorted."
  - £30K–45K per year, age 40–54

This is a concern. The default contribution rates are minimums set in law for everyone. They don't include a recommendation for the amount any individual should save to achieve financial security in later life.

Workers may be under a false impression that they are doing all they need to do. Just over three in four – 77% – said they'd never been told to rethink how much they contribute. A second key message therefore is that rethinking the amount you contribute can make a significant difference to your retirement outcomes.



One in three think 'the default amount is how much I am recommended to save'

> ## “It’s important to get members to understand why a contribution today is so much better than tomorrow. I once heard someone say “today is the best day of your life to contribute to your pension scheme. Tomorrow won't be quite as good”

03

‘Contributions you make when you are younger work harder for you’

Once people understand the need to rethink the amount they contribute the next piece of information they need is ‘how much is the right amount?’ To find this out people are often directed to calculators or other tools. But using these tools requires a significant level of knowledge, time and commitment. We explored whether a rule of thumb could be used as a first step towards disrupting the minimum contribution anchors. The piece of advice that the majority of people found helpful combined benchmark ages and pound amounts. It also demonstrated that if you start later, you have to save more to get to the same outcome (**Figure 2**).

It should be noted that this message was kept deliberately simple for research purposes. It rests on a number of assumptions that would need to be made clear to the member. It also uses final pot values as a way to communicate outcomes. This brushes over important questions about the level of income that could be achieved from a £100,000 pot. Still, the positive response to this framing is significant. This message – that contributions you make when you are younger work harder for you – can have a foundational role. It creates a sense of urgency that could go some way towards disrupting inertia. As one of our expert interviewees described:

“It’s important to get members to understand why a contribution today is so much better than tomorrow. I once heard someone say ‘today is the best day of your life to contribute to your pension scheme’ ”

Figure 2
Which piece of advice about how to save is most helpful? (people were asked to select their top 2 answers)

If you started saving £60 a month at age 25, you could expect a £100,000 pot at retirement. If you started at 35, you’d have to save £113 to get the same amount. If you started at 45, it would be £229 a month	57%
Save 12% of your salary each year	45%
If you're making £30,000, save £3,600 a year	41%
Save one year's worth of your current salary by age 30, 3x your salary by age 40, and 6x your salary by age 50	29%
Divide your age in half and save that percentage of your total salary each year	27%

Optimising the language

We know that it's not just what you say that matters, but also how you say it. Throughout this research we explored different ways of saying the same thing, to understand which words have the power to connect and break down barriers to engagement. Over the following pages, we set out those approaches that showed a positive impact. We've organised these using a framework developed by Invesco Global Consulting for communicating about pension saving. This has been developed through over a decade of language research in the US, and our research showed that it also holds true in the UK context. Communications that are **Positive, Plausible, Plain spoken** and **Personal** are more likely to connect with pension scheme members.

Positive

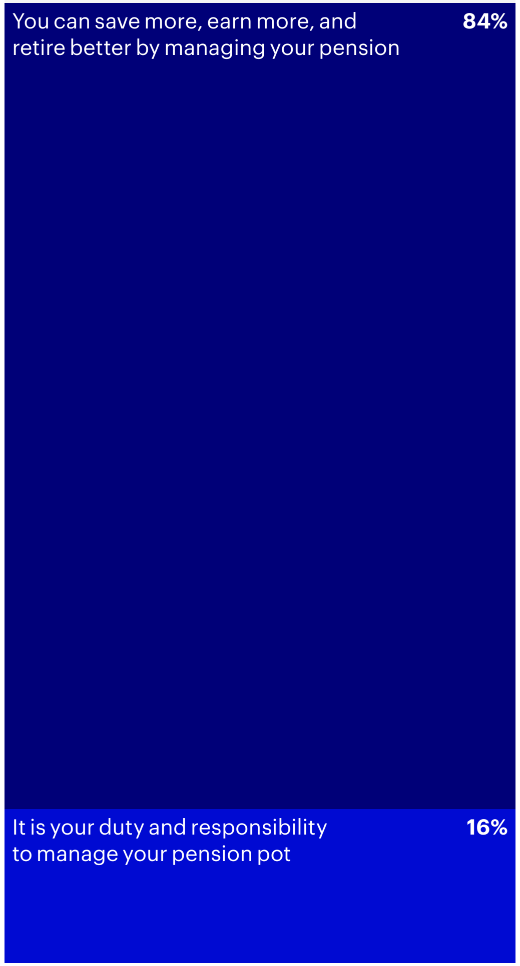
Throughout the research we found that positively-framed messages were preferred over negative or loss-framed messages. For example, people said they would be more likely to read a message that you could get on track if you take action than a message saying you could be at risk if you don't (**Figure 3).**
Loss-framed messages have been shown to be effective in driving engagement including in research by Nest Insight.[10] Yet they are not always well-received. In the current pandemic context where people are feeling stressed and anxious, it seems more important than ever to provide reassurance and encourage people to feel empowered to act.

Messages about personal responsibility were less well received than messages conveying agency (**Figure 4).**

[10] Talking with self-employed people about retirement saving, Nest Insight, September 2020: https://www.nestinsight.org.uk/wp-content/uploads/2020/09/Talking-with-self-employed-people-about-retirement-saving.pdf

Figure 3
Which notice from your pension provider would you be more likely to read?

Figure 4
Which notice from your pension provider would you be more likely to read?



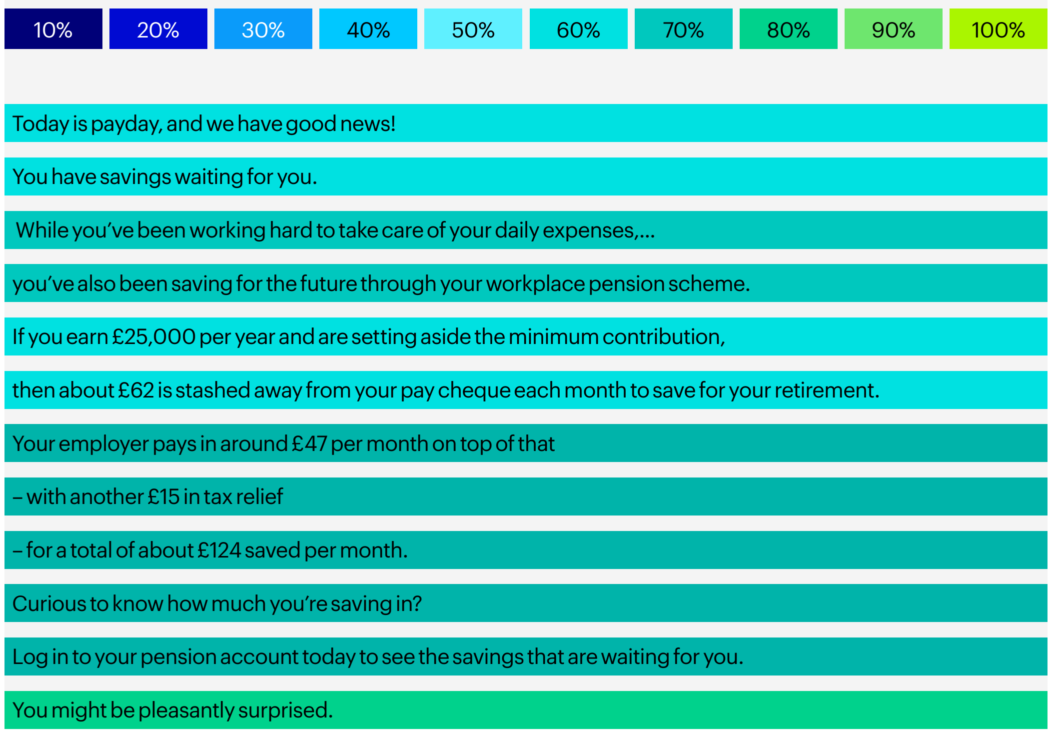
A 'you can' message was more likely to engage than a 'you should' message. Again, the positive framing is more likely to attract interest.

A 'you can' message was more likely to engage than a 'you should' message. Again, the positive framing is more likely to attract interest. As identified above, low awareness of the relative advantages of pension saving is a barrier to engagement. The 'free money' from employer contributions and tax relief, and the potential for growth are positive messages and potentially motivating reasons to engage with contribution levels.

Employees responded well to communications telling them they were 'already on their way' towards retirement saving. They like hearing they have already started saving and that this money has been amplified by employer contributions and tax relief.

Average dial responses to the following message are shown in **Figure 5**. Respondents started with a neutral dial with a score of 50, and could turn the dial down towards 0 if they had a negative response to the phrase they were hearing, or up towards 100 if they had a positive response.

Figure 5



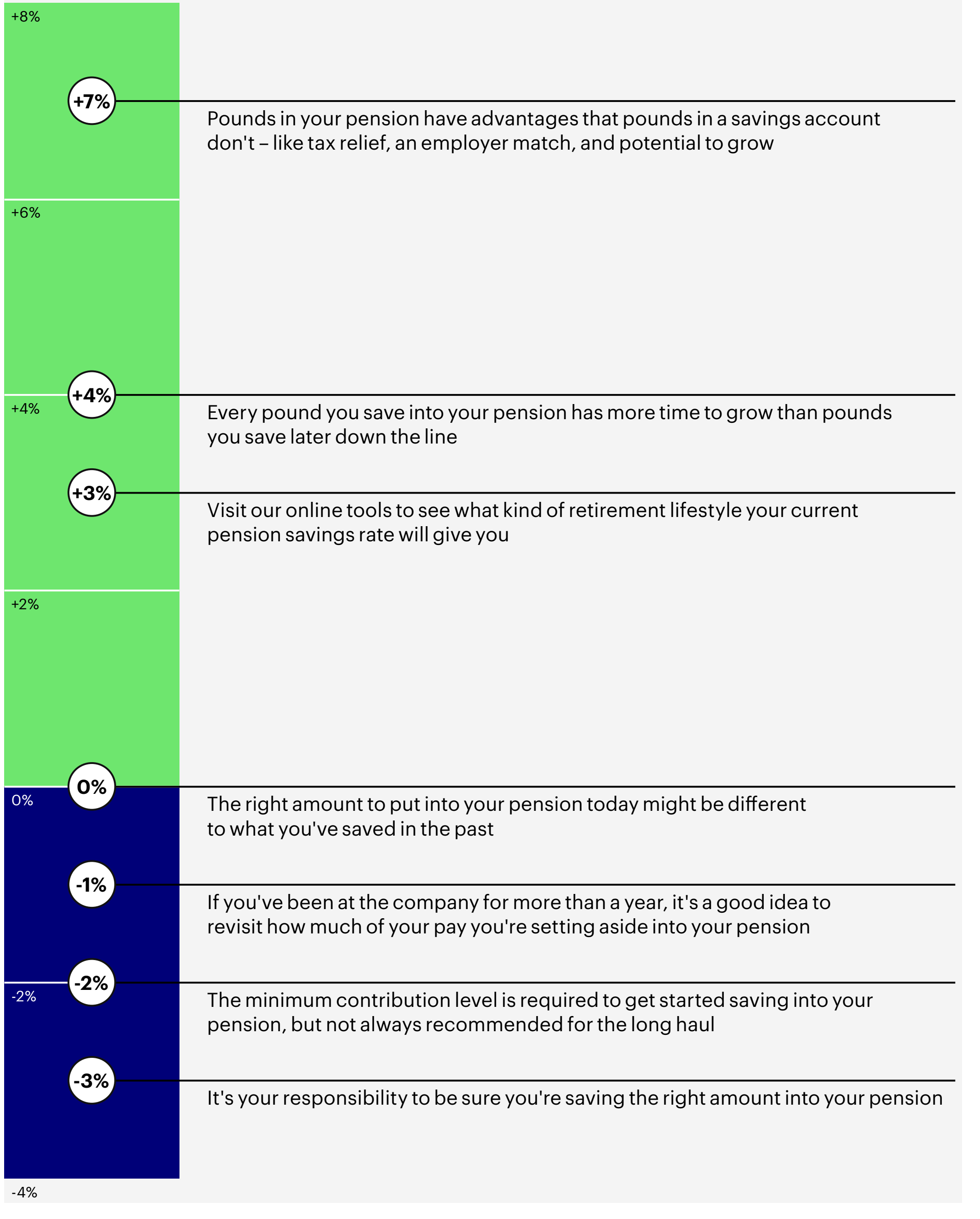
We explored a range of different messages designed to get people to rethink their contributions in a 'trade-off' test known as a 'MaxDiff' method. Respondents were shown messages in random sets of three and were asked to:

- Put a thumbs up or swipe right for the message that'd make them most likely to rethink how much money they are contributing to their pension
- Put a thumbs down or swipe left for the message that'd make them least likely to do so.

This exercise allows us to see not just the prioritisation of messages, but also the relative degrees to which they are seen to be motivating. We found that messages that highlighted the benefits of 'free money' and 'growth' were more powerful than more abstract messages about contributing the right amount or taking responsibility. In **Figure 6,** the percentages represent how much more or less likely respondents were to select a message compared with the median at 0%.

It's clear that positivity is a powerful tool in building engagement. It is also, perhaps, an under-used approach in communications about retirement saving. Too often, these can focus on what people are not doing or how they are missing out.

Figure 6
Which message would be most likely cause you to rethink your contribution rate?



Plausible

We found that employees were pragmatic about retirement saving. When asked to think about their retirement most people do not envisage the luxuries or holidays often portrayed in many pensions communications. People talked of wanting to be able to afford the basics, and maybe a few modest treats on top like eating out or presents for grandchildren.

Credible framing of the benefits of workplace pension saving is therefore more likely to connect than visions of a 'dream' retirement **(Figure 7).**

This was, unsurprisingly, even more true for lower earners, with 85% of those earning £10,000–19,999 saying comfortable retirement was a more motivating reason to revisit their contributions. People were also more likely to say 'financial security' was a motivating reason to revisit their pension contributions than 'financial independence' **(Figure 8).**

Figure 7
Which is a more motivating reason to revisit how much you contribute to your workplace pension?

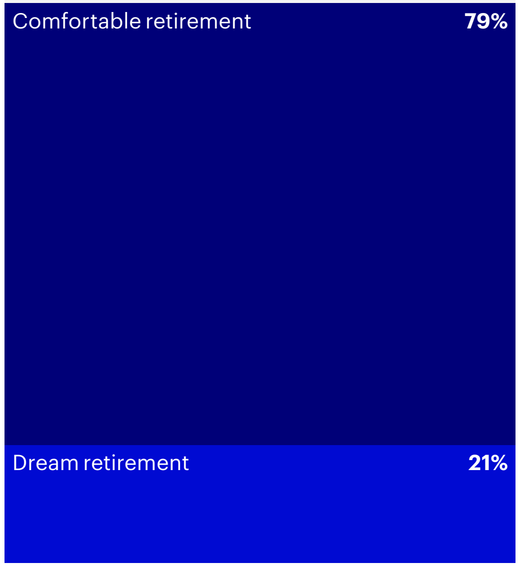
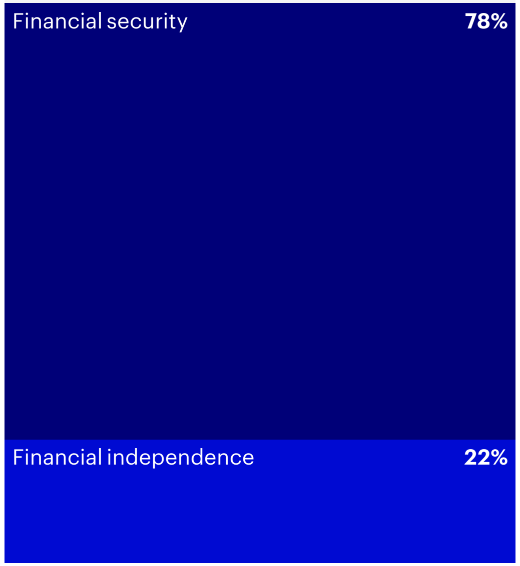


Figure 8
Which is a more motivating reason to revisit how much you contribute to your workplace pension?



> “
> **Financial wellbeing is about feeling secure and in control. It is knowing that you can pay the bills today, can deal with the unexpected tomorrow and are on track for a healthy financial future. People should feel confident and empowered.[11]**

Again, a plausible and basic retirement outcome was more motivating than an aspirational one. And, again, this was more pronounced for lower earners, with over four in five – 83% – of those earning £10,000–19,999 saying that financial security was more motivating. The Money and Pensions Service definition of financial wellbeing has security at its core:

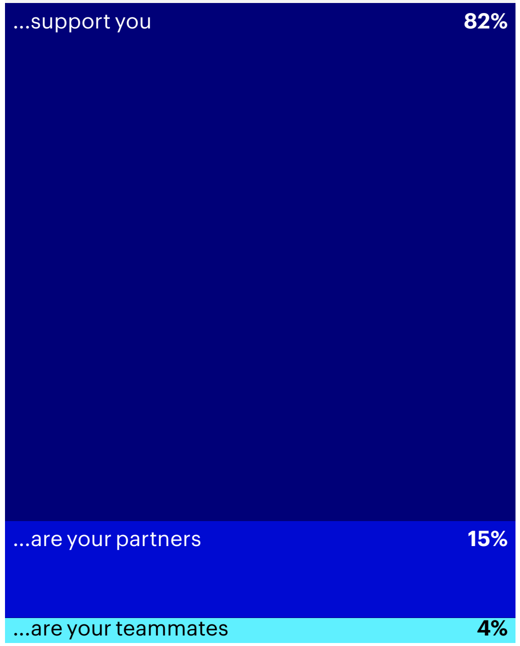
‘Financial wellbeing is about feeling secure and in control. It is knowing that you can pay the bills today, can deal with the unexpected tomorrow and are on track for a healthy financial future. People should feel confident and empowered.’[11]

The idea of ‘security’ is key to wellbeing. Perhaps as a result, it’s also more motivating than independence. ‘Security’ may also be particularly salient in a time of great uncertainty, such as that which we are in at the time of researching and writing this study.

We also explored different routes to communicating the benefits of employer contributions and government tax relief. We used different ways to describe the relationship between the different parties involved in pensions saving – as a support, a partnership or a team. The idea that the employer and the government, support, people was by far ranked as the most engaging expression **(Figure 9).** Interestingly this preference was even stronger for women, with 85% of women ranking this description highest, compared with 78% of men.

It might be tempting to try to motivate people to save by painting a picture of an aspirational future. This research suggests, though, that most employees are very pragmatic when they think about later life. They’re more likely to be engaged by a plausible portrayal of security and basic comfort in their later life. They may disengage if the picture painted feels out of reach. And this is particularly true of those on lower incomes.

Figure 9
Which would you rather hear? In your pension saving, our company and the government...



[11] Money and Pensions Service, UK Financial Wellbeing Strategy (2020): https://moneyandpensionsservice.org.uk/wp-content/uploads/2020/01/UK-Strategy-for-Financial-Wellbeing-2020-2030-Money-and-Pensions-Service.pdf

Plain spoken

It’s perhaps no surprise to say that the use of technical language creates barriers to engagement. It’s unlikely that anyone sets out to write communication materials that are full of jargon. But it can be easy to forget how off-putting some standard industry terms can be to non-specialists. Plain-spoken alternatives to industry terminology consistently attracted more interest amongst pension scheme members **(Figure 10)**.

Figure 10
I would be more interested in learning about my retirement pot’s...

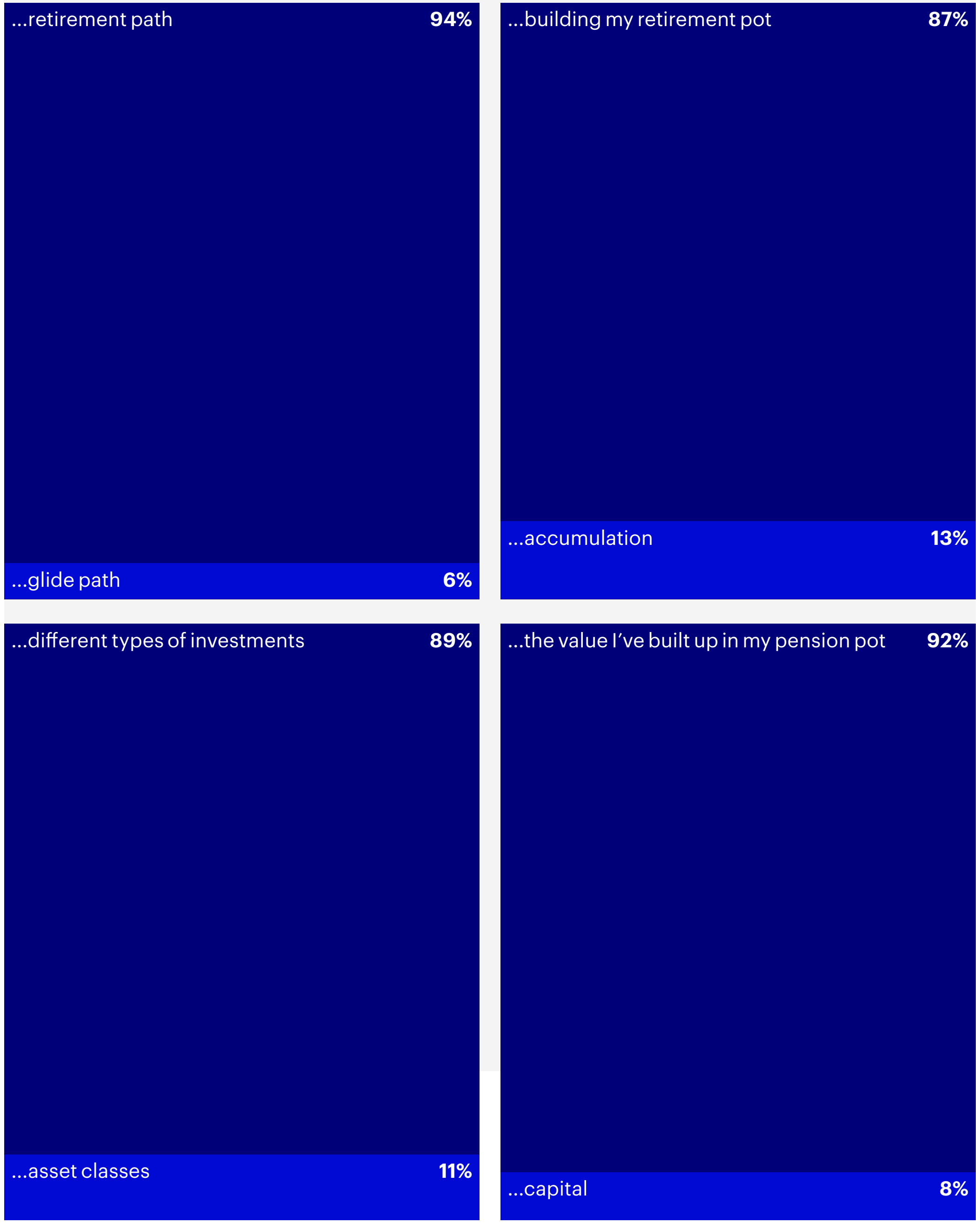


Figure 11
What’s the best name for money that goes into your workplace pension from your pay packet?

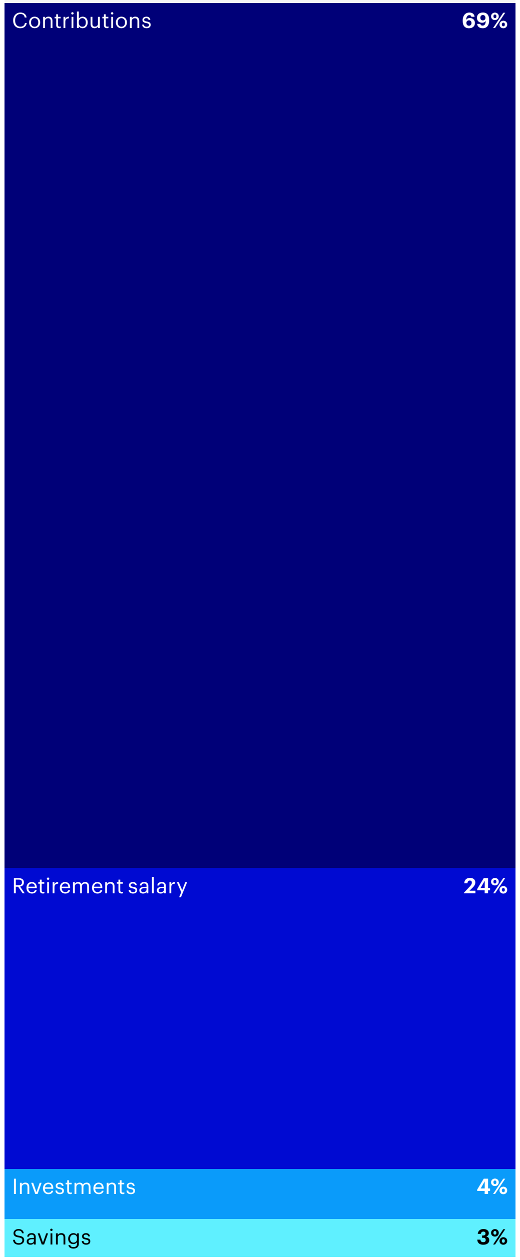
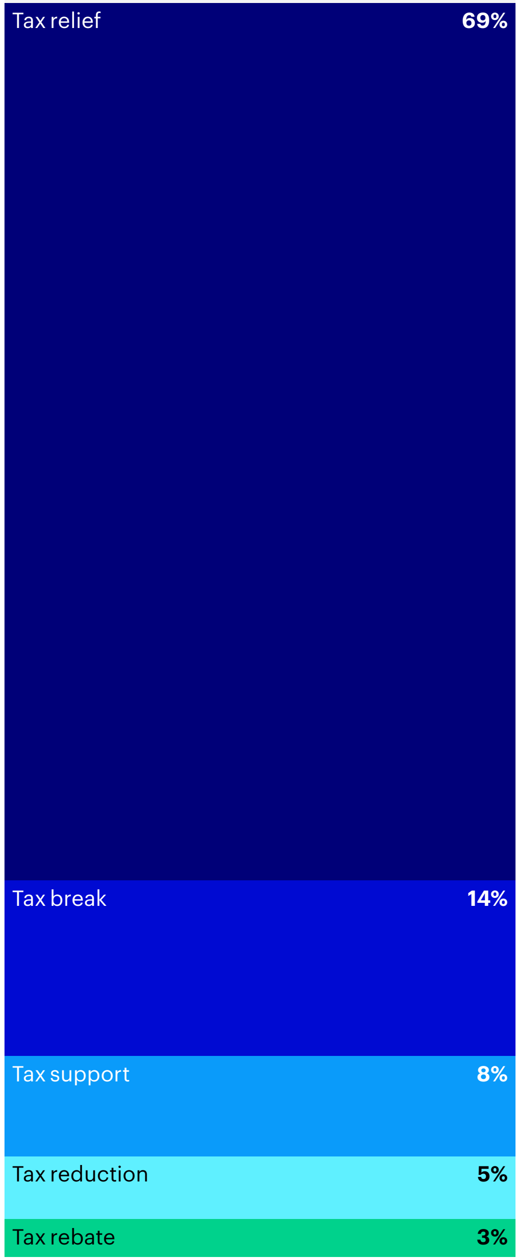


Figure 12
The government doesn’t tax money you contribute to your workplace pension. What is the best name for this?



Given this, and some of the conceptual barriers around the word ‘contributions’ identified above, we were keen to find out whether a better word or phrase could be found to describe the money that people put into their pension pot. However, when we put this to the test, we found that the word ‘contributions’ was preferred by the majority over more innovative alternatives **(Figure 11)**. We saw a similar response when we explored alternative ways of describing ‘tax relief’ **(Figure 12).**

It seems that, imperfect as it is, the word ‘contribution’ has become ingrained because it is the standard language. There may be times when it makes sense to use a word because people have come to expect it and because it is common currency.

In 2011, in the run-up to auto enrolment, the newly launched Nest pension scheme committed to using plain-spoken language. The aim was to make the scheme’s language appropriate to a member base largely new to pension saving. Extensive research and consultation culminated in the development of a Nest ‘phrasebook’ which is publicly available.[12]

[12] https://www.nestpensions.org.uk/schemeweb/dam/nestlibrary/NEST-phrasebook.pdf

In some cases, 'jargon' words were replaced with more plain-spoken alternatives. For example, the word 'diversification' was ruled out and replaced with the phrase 'the spread of your money across a range of different investments.' But in other cases, it was decided that keeping the existing word made more sense, as long as it was clearly defined. For example, the word 'annuity' was so commonly used that Nest decided to stick with it, but always to provide the definition 'a guaranteed income for the rest of your life, that you can choose to purchase with your pension pot.'

We believe the word 'contribution' should be treated similarly. Standardisation across the industry is increasingly in focus as the government consults on proposals for simpler annual benefit statements. At such a time it seems best to stick with what people know. But although it is familiar, the term is not well-understood, so the language used around the word needs to work hard to build comprehension and communicate what it means for the individual.

In addition, whilst the noun 'contribution' seems best left alone, there may be more scope for building engagement around the verb used to describe 'contributing'. Responses to alternatives to the word 'contribute' this were more mixed with 'pay in' coming a much closer second to the incumbent word **(Figure 13).**

Figure 13
Which best describes what you do with the money you save for retirement? I ________ £50 a month into my workplace pension.
(people were asked to select their top 2 answers)

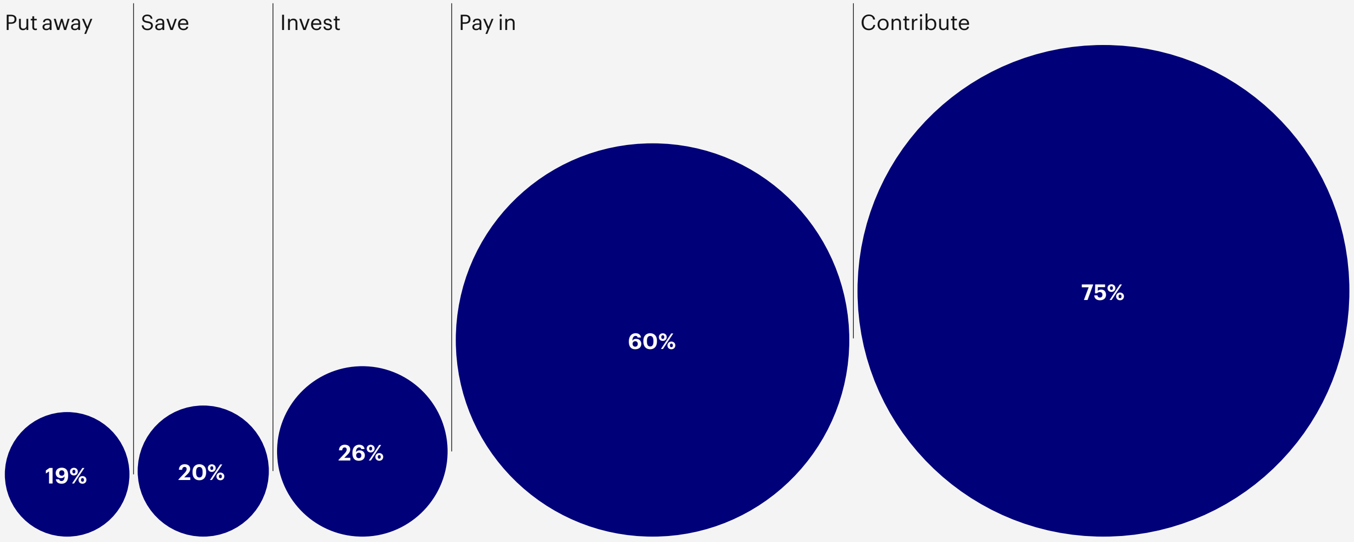


Figure 14
Which of these do you care about most?*

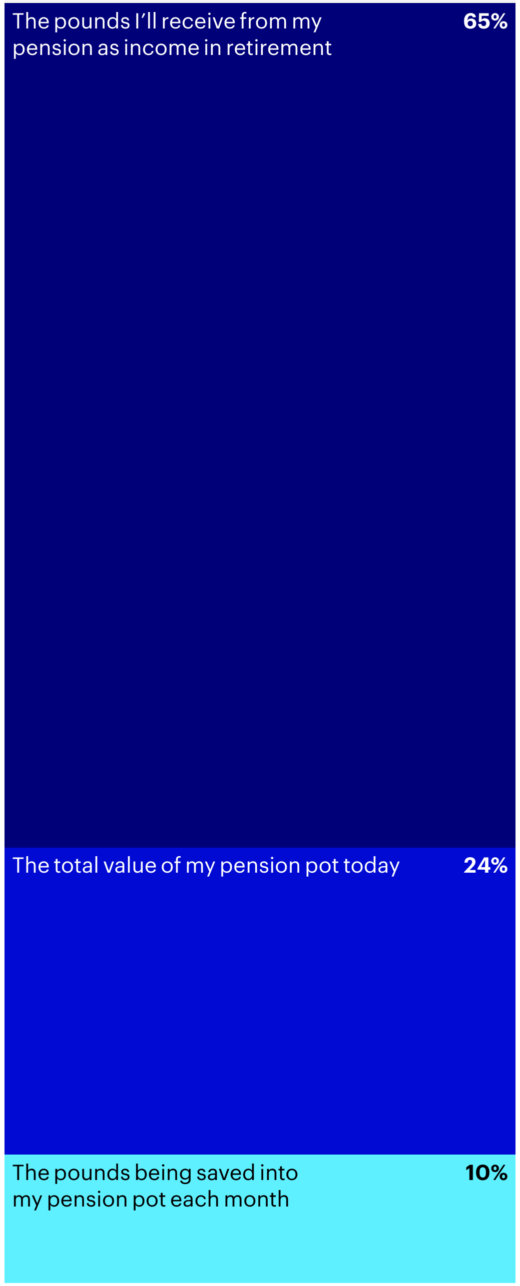
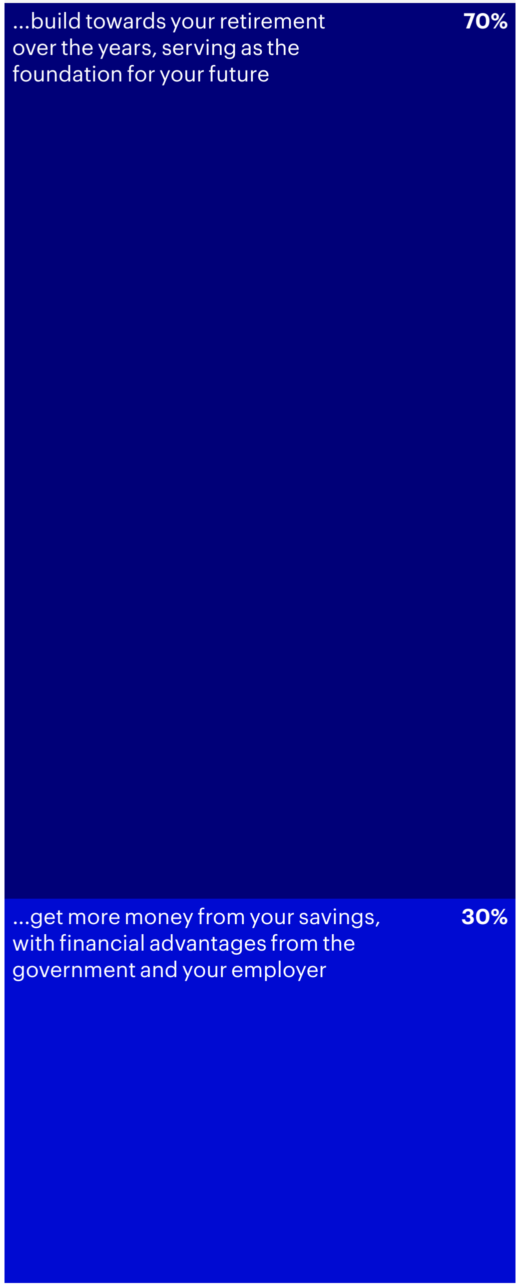


Figure 15
Which would you rather hear?
Contributions matter because they help you...



Interestingly there were gender differences in language preferences. Women were more likely to prefer the description 'pay in' than men, with 62% of women choosing this compared with 57% of men. Men were more likely to choose the word 'invest' with 29% of men choosing this compared with 24% of women.

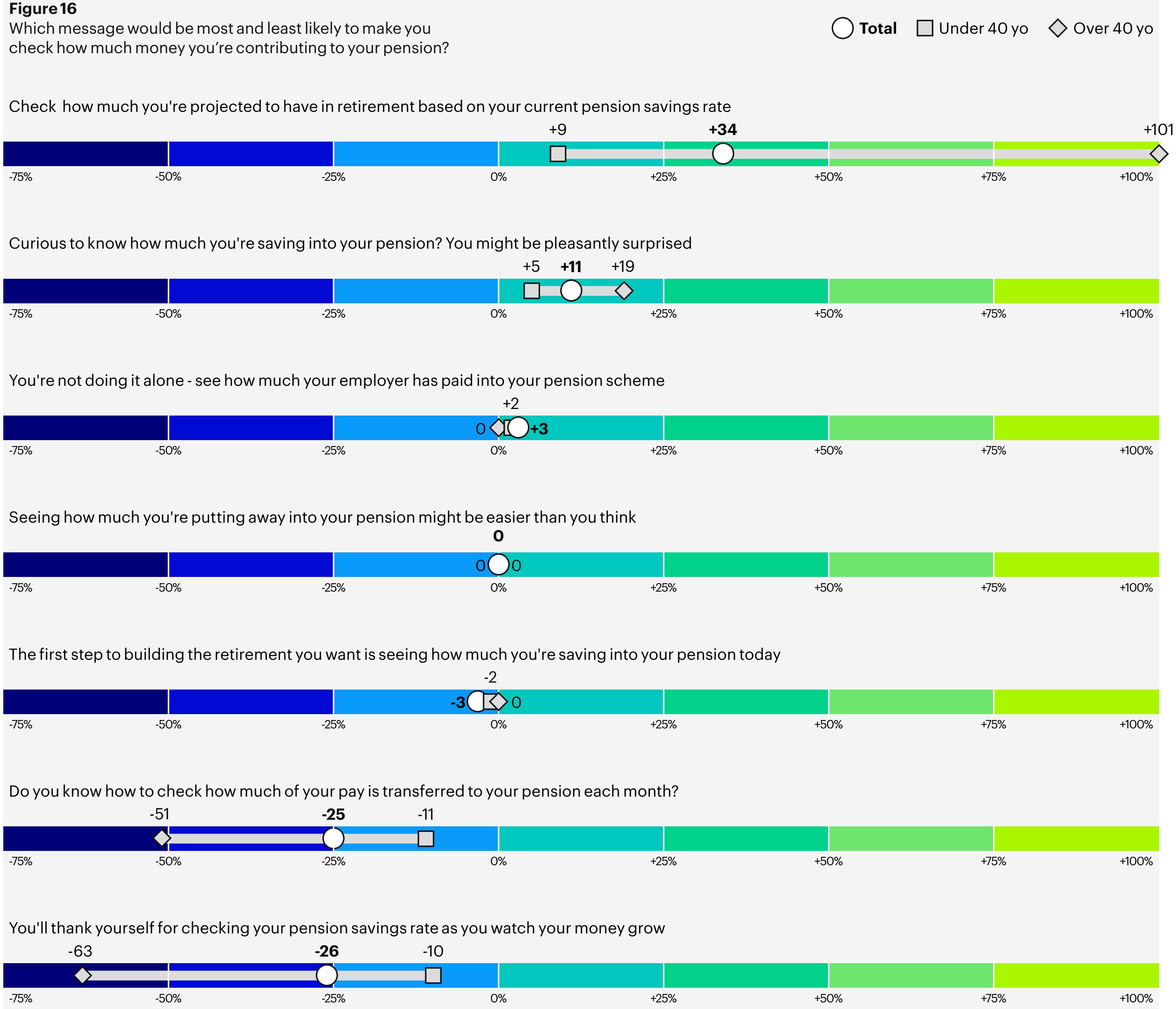
Our focus here was to identify the words and phrases that would be most likely to drive engagement with retirement saving. We were looking at the word 'contribution' as part of this exploration but it was also clear that inputs are less interesting to members than outputs. **(Figure 14** and **15)**.

Communications are likely to have more impact if they focus on what matters to people. For someone to consider how much they're putting in, they first need to know what they will get. Only then might they make the connection between this outcome, and their contributions.

* figures subject to rounding

We used another trade-off question to understand which of a range of different messages could be most effective in getting people to check how much money they are contributing to their pension.[13] One message focussed on how much the member is likely to have in retirement. This came out as by far most likely to get people to check how much they are contributing to their pension. This was true for all employees, particularly those aged over 40 **(Figure 16)**.

Figure 16
Which message would be most and least likely to make you check how much money you're contributing to your pension?



[13] See p14 for a description of this question methodology.

People need to know what they get out. And that means talking in pounds and pence. Not putting in an extra 2% or 3% or whatever.

It also greatly helps engagement levels if information is presented using benchmarks and comparison points that people know and use in day-to-day life. As one of our experts said, a personalised pound amount is more meaningful than a percentage:

"People need to know what they get out. And that means talking in pounds and pence. Not putting in an extra 2% or 3% or whatever."

When communicating future retirement outcomes, income is a much more relevant and motivating piece of information than pot size, which is difficult to interpret. An income figure is also much more likely to prompt people to reconsider how much they are contributing.[14]

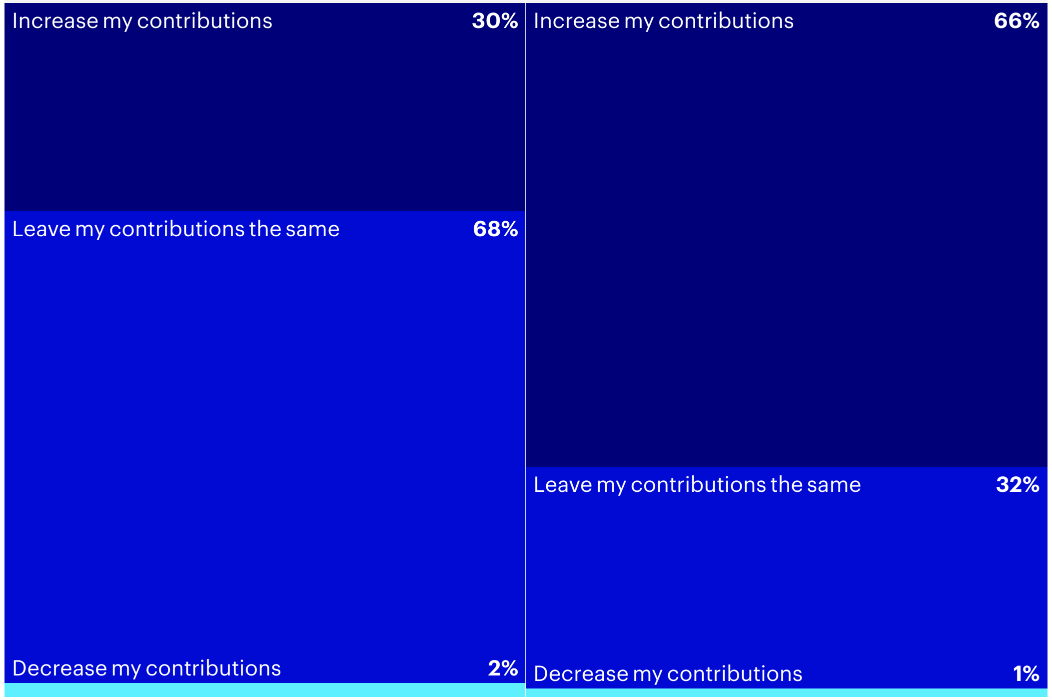
When shown a pot size and income figure relevant to their income, a majority said they would leave their contributions the same in response to the pot size figure, whereas a majority said they would increase their contributions when shown an estimated income figure. This pattern was consistent across all income brackets. The example below was shown to people earning £10,000 –19,999 **(Figure 17)**.

When thinking about retirement saving outcomes, the income figure is most helpful to people. It enables them to think about what lifestyle they will be able to afford relative to their current annual income. However, when people think about how much money they put into their pension, a pound amount relative to their take-home pay is most useful. For the majority of UK workers paid monthly this means a monthly amount. For those who are paid weekly, a weekly amount may be more useful, although most bills are still paid monthly.

Figure 17

Imagine you log into your pension account today and see an estimated [£82,000] pot value at retirement. What would you do?

Imagine you log into your pension account and see an estimated [£12,150] yearly income at retirement, including the state pension.* What would you do?



* figures subject to rounding

[14] There is also evidence from behavioural science that this approach also has more impact on behaviour. See for instance Save More Tomorrow: Practical Behavioral Finance Solutions to Improve 401(k) Plans, Benartzi (2012)

Personal

It’s well known that personalisation is powerful. Ideally messages would be personalised to individual circumstances. But even if that’s not possible, messages can still be framed from the individual’s point of view, rather than the scheme’s or employer’s perspective. Messages that used the words ‘you’ and ‘yours’ were consistently ranked as more engaging than messages that used the words ‘our’, ‘company’ or ‘members’ **(Figures 18, 19** and **20)**. Language can also be powerful if it:

- helps people recognise they are on a ‘default setting’
- suggests they move from this by customising their retirement savings around their personal situations.

Figure 18
Which interests you most?

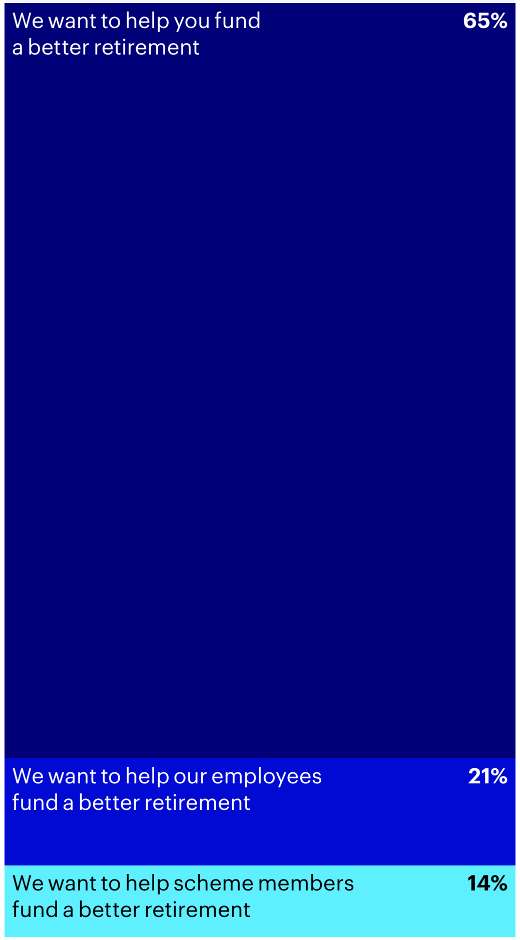


Figure 19
Which is the better reason to rethink how much you're contributing?

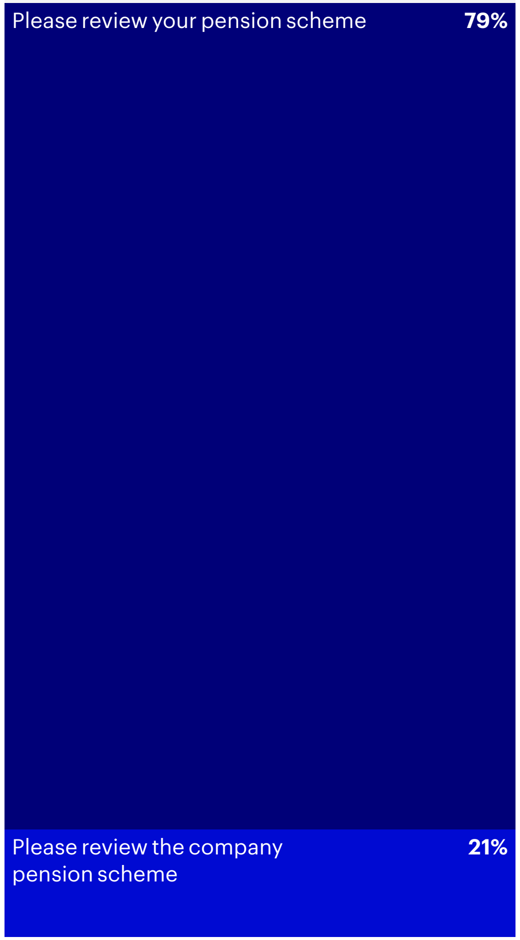
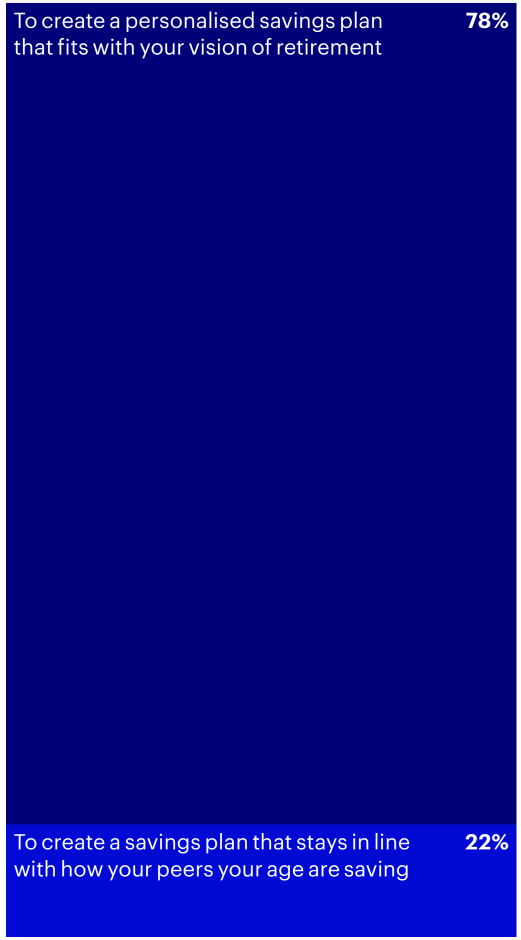
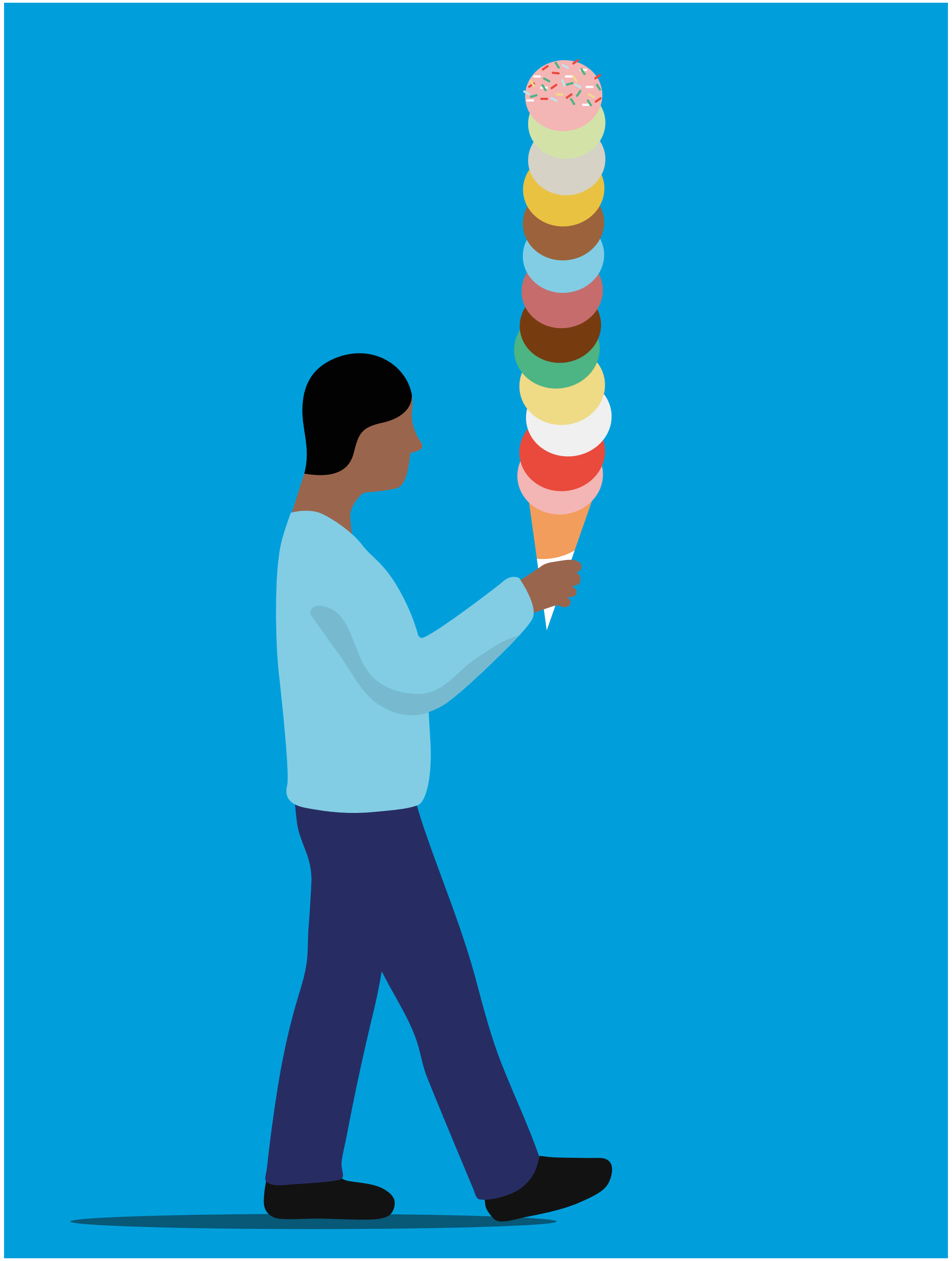


Figure 20
Which is the better reason to rethink how much you're contributing?





In Emotional Response dial sessions, participants responded positively to a message suggesting that 'customising your savings rate will help turn the default pensions scheme into your own personal pension scheme' **(Figure 21)**:

Figure 21

10%	20%	30%	40%	50%	60%	70%	80%	90%	100%

No two retirements are the same.

That's why it's important to revisit how much you're saving through your pension,

so you can create a personalised plan that fits your vision of retirement.

You may decide that what matters most to you is collecting more savings in your pension each pay period.

Or, if you're already putting in more than the minimum and feel on track,

you may decide to take more income in your pay packet instead.

Whether you top up your savings, or scale back to get more money today,

you know the contribution level that's best for you.

No matter what you decide, customising your savings rate will help turn the default pension scheme into your personal pension scheme.

When and how to talk about contribution levels

Having looked at the barriers, key messages and ways to optimise language, we also explored whether there were moments or methods of communication that would be more or less effective in boosting engagement with retirement saving and pushing people to look beyond the defaults.

Milestones in the workplace and in personal finances seem to be more relevant than personal milestones as a prompt for revisiting contribution levels **(Figure 22)**.

However, there is more potential to prompt a change in contribution behaviour around milestone birthdays **(Figure 23)**.

Figure 22
When are you more likely to revisit how much you are contributing to your pension? The next time I…

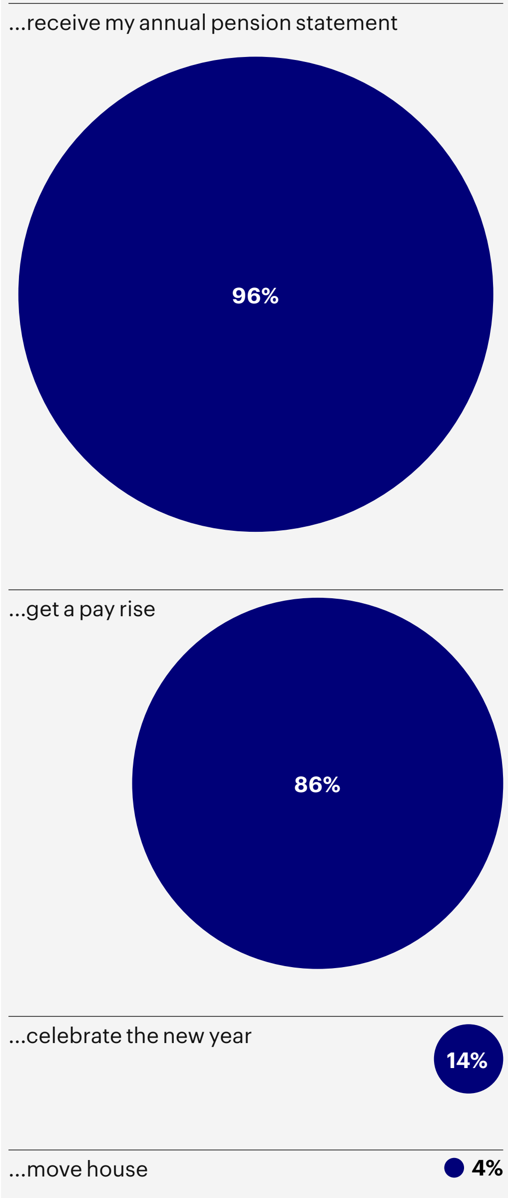
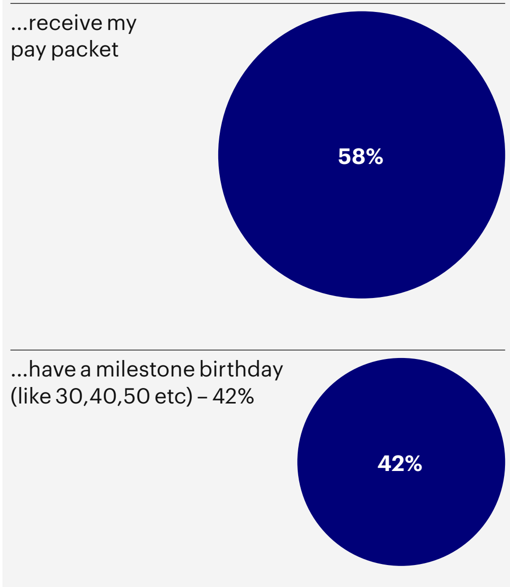


Figure 23
When are you more likely to revisit how much you are contributing to your pension? The next time I…



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The pension provider is most expected and trusted to provide information. However, a significant proportion of employees see this as the employer's role, particularly younger workers.

The pension provider is most expected and trusted to provide information. However, a significant proportion of employees see this as the employer's role, particularly younger workers **(Figure 24 and 25)**.

Figure 24
If you received a notice about your pension from each of the sources below, which would you be most likely to read?*

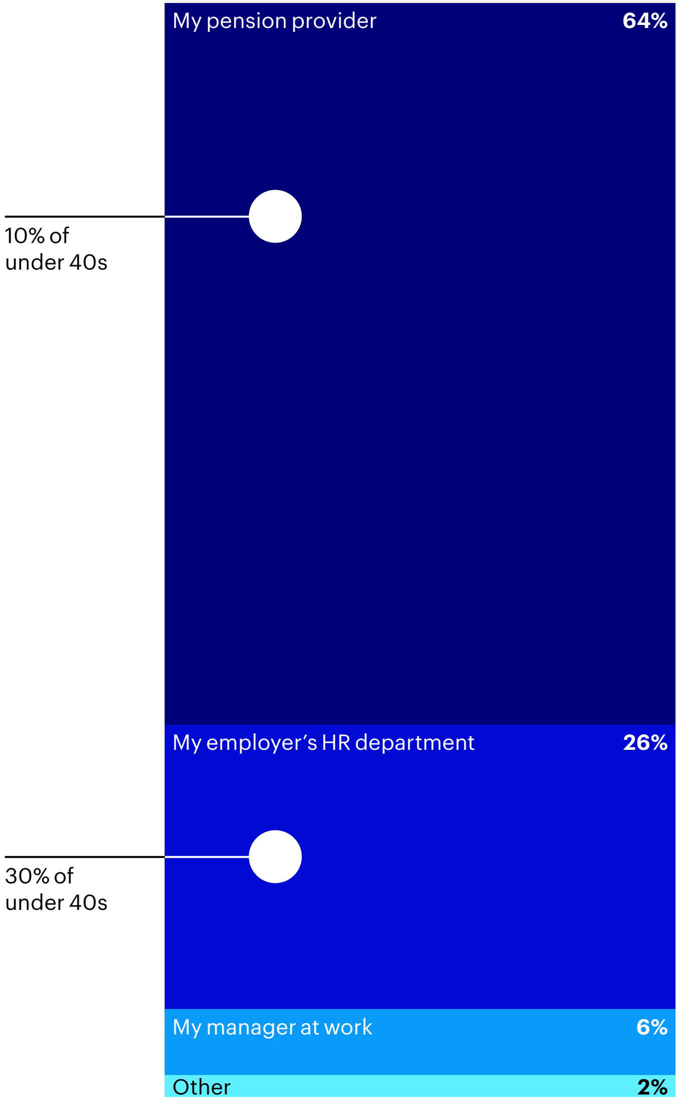
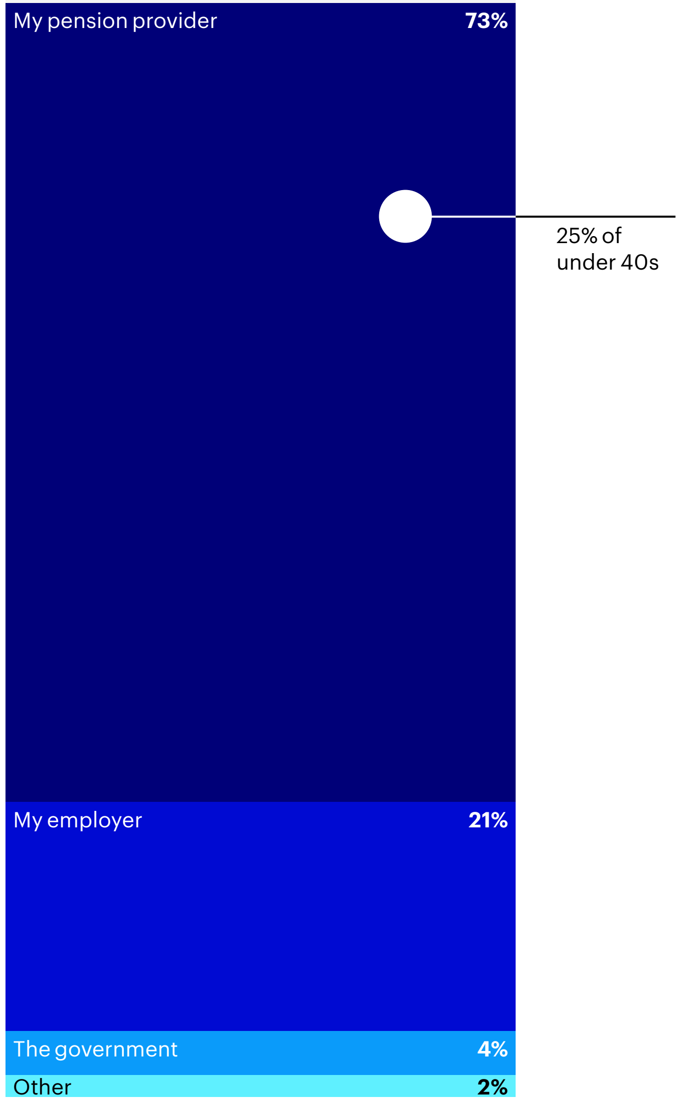


Figure 25
Who do you trust most to give you up to date and accurate information about your workplace pension?



* figures subject to rounding

4

This research took a narrower lens than some other studies of engagement in pensions. It focussed on simple changes to the words and phrases we use to talk about retirement contributions.

The findings suggest that these small changes can make a big difference to people's comprehension and motivation. In part this is because they help overcome the blocks and barriers that stand in the way of positive engagement. They help pension scheme members focus on the tangible impact they could see in retirement if they rethink the amount they pay in today.

Language alone cannot address all the barriers to contributing more. But the findings from this research show that improvements in the language used around contributions could lay stronger foundations for action. In a climate of uncertainty, complexity and low engagement, people need a firmer footing on their journey towards a more comfortable retirement.

We suggest five key lessons for everyone involved in communicating about savings and retirement:

01 Don't over-estimate what people already know – if they don't even know they can contribute more they're unlikely to do so.

02 Don't stop saying 'contribution' – but use simple language to help explain how contributions actually work.

03 Focus on the outcomes people can achieve by saving more – and use retirement income to express these, rather than pot values. Personalised pound amounts are also more likely to engage than percentages.

04 Use positive messages to convey the benefits of doing more – but make sure to stick to realistic outcomes people believe they can achieve.

05 Use workplace milestones to talk about contribution levels.

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