Best Practices for Creating an End to End Education Strategy

Research suggest that plan sponsors are grappling with a conflict between the belief that they provide valuable participant education and the recognition that too many employees are not making informed decisions about their retirement. A deeper understanding behind this disconnect may be the first step in developing a more effective participant education approach.

Toward a More Effective Employee Education Model

Plan sponsors care about making sure that participants are prepared for their retirement. According to a recent survey by Deloitte, 78% of plan sponsors rate participants’ retirement readiness as “very important” or “quite important.”

Yet, while 65% of companies believe that they offer adequate retirement and investment planning tools, only 22% agree that employees generally make informed retirement decisions.

When asked to name the top barriers to achieving greater retirement plan effectiveness, employers cited: 1) Lack of employee understanding; 2) Lack of interest; and 3) Employee demographics (age, salary, education, etc.).

The view from the participant side tells a different story. Plan participants are concerned about their ability to retire, but for different reasons. Consider the financial state of affairs for the average employee.

• 53% of workers cite living and day-to-day expenses as the primary reasons they are unable to contribute (or contribute more) for retirement.

• 47% of adults in their 40s and 50s have a parent age 65 or older whom they are financially supporting while they also are either raising a young child or financially supporting a grown child age 18 or older.

• Nearly a third of Americans say that they are living paycheck to paycheck, while 23% say paying down debt is their highest priority.

Most plan sponsors (81%) say that it is “very important” or “quite important” to improve participant education. However, in view of the divergent perspectives of plan sponsors and participants, perhaps crafting an appropriate prescription for a more effective education and communications framework will require a better diagnosis of the current disorder.
Developing a More Effective Participant Education Strategy

The foundation of business success is rooted in developing a strategy based upon clear objectives and a comprehensive understanding of the marketplace.

Developing a participant education strategy should be no different. Yet, when it comes to educating plan participants, many plan sponsors do not have anything resembling an articulated strategy. Too often, the approach is comprised of discrete and fairly conventional activities divorced from any overarching long-term plan and, very often, from the education priorities of the participant population.

As plan sponsors look to improve their participant education efforts, they may want to first consider analyzing plan data and surveying employees to obtain better insight into their education and informational needs, how they prefer to learn, and any personal barriers to investing for retirement. This feedback can be a key input that informs a participant education strategy that can more effectively help drive employee retirement readiness.

Teaching the Basics: Paving the Way to Retirement Readiness

Attempting to impress upon employees the importance of planning for a future retirement may be a difficult task in the face of a reality where they are struggling financially to make it to the next paycheck.

The key to increasing 401(k) plan participation may have as much to do with empowering employees with better skills to manage their current finances as it has to do with educating them on planning for a retirement 20 years away.

For many individuals, budgeting, cash flow planning and debt management are not fully developed skills. Without greater control over their current finances, their ability to invest for the future will likely always remain in doubt.

Thus, effective participant education cannot be narrowly defined as “retirement education,” but must viewed more comprehensively—call it “financial wellness education.”

In a survey by the International Foundation of Employee Benefit Plans, organizations that offered a more holistic financial wellness education approach cited overall lower levels of employee stress and higher retirement readiness than companies that did not offer financial education.6

Respondent organizations that viewed their financial education as successful were those more likely to include nearly all elements of financial education. The top elements of these successful programs were: 1) Investments; 2) Savings; 3) Budgeting; 4) Insurance; and 5) Spending.6

Retirement Readiness: A Building Block Approach

Armed with basic financial skills, most employees are better prepared to take on the multifaceted challenges of achieving retirement readiness. The path to retirement readiness is one best taken in incremental steps that build knowledge and confidence over time, accommodating each participant’s varying level of sophistication, their desired learning pace and each of the phases of a person’s life.

Using a multi-track educational approach, distinct modules can bring participants progressively through an instructional continuum that teaches them the value of retirement plan participation, how to begin making basic decisions about contributing and investing, the means to improve fund selection skills, the importance of regular retirement plan check-ups and the keys to staying on track.
Components of an End-to-End Education Campaign

A comprehensive education strategy begins with a plan and ends with measurement.

1. **Establish a Budget:**
   
   A realistic plan cannot be developed without a determination of the resources that will be dedicated to a participant education effort. Once a plan sponsor has determined the budget it wishes to commit to an education plan, the outline of the scope and the quality of that effort can be more readily defined.

2. **Analyze Plan Participants:**
   
   As was discussed above, preconceptions about what the plan sponsor believes are the needs of the audience may doom any educational initiatives to failure. Thus, it is essential that plan sponsors analyze plan data and survey employees to gauge their knowledge level and ascertain areas of need. Properly designed, this analysis will help yield specific plan metrics that can identify areas of opportunity for improving retirement readiness.

3. **Build a Campaign:**
   
   An education campaign serves two basic purposes: to address the needs of employees and meet the plan sponsor’s pre-defined objectives (e.g., increase participation rates and deferral levels).

   While employee needs and plan objectives may vary among employers, the profile of a successful campaign is more uniform—it is yearlong in duration and includes common elements:
   
   - personalized education, such as customized gap analysis reports that show individual employees their projected contributions, any missed opportunities for maximizing employer matching contributions and any projected shortfall in their estimated retirement assets;
   - on-site education, in group or individual settings, that focus on a diverse range of financial wellness and retirement readiness topics; and
   - a continuing stream of communications that help employees maintain their focus on achieving their retirement goals.

4. **Delivery Modes:**
   
   An effective education platform relies not only on meaningful content, but it needs to be delivered in a way that the recipient prefers to consume that content.

   Plan sponsors should appreciate that a diverse workforce means that the preferred (and most effective) means of content delivery will vary by individual. These individual differences cut along two general lines:

   **Type of Learner:** Individuals may have a learning style that works best for them. They may be visual, auditory, read-write, or kinesthetic learners.

   **Generational:** It is a statement of the obvious that Baby Boomers and Generation Y interact with information quite differently. A medium that works well for one demographic cohort may be of limited value to another set of employees.

   Recognizing these differences, effective education delivery must incorporate a broad range of media, including paper, electronic, website and even social media components. A broad media platform will allow each participant to choose the most comfortable way to learn for them, increasing the probability that they will absorb important concepts that can help raise plan participation levels and retirement readiness.
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In research conducted with plan sponsors, the most effective methods of delivery were: 1) Voluntary classes/workshops, 2) Free personal consultation services, and 3) Web-based/online resources and courses.

5. Measurement:

Finally, education delivery is not a “once and done” endeavor. It is a business truism that “if you can’t measure it, then you can’t manage it.” Consequently, an effective education campaign requires a feedback mechanism that measures the relative success of this outreach. The ability for plan sponsors to measure key metrics, compare them over time and against plan goals, document behavior changes and provide benchmarks for future campaigns is a critical prerequisite to a process of continual improvement in education development and delivery.

Concluding Thoughts

The road to more effective participant education does not begin or end with simply providing content and tools. The content of the education needs to be holistic and its delivery personalized.

More recently, education resources are being offered from third-party services that are available even if a plan wishes to maintain its recordkeeping or asset management relationship. This opens the door for plan sponsors to easily upgrade their education offering to employees, allowing them to more effectively meet their goal of raising the retirement readiness levels of their employees.

5. Bankrate’s Financial Security Index, November 2014

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