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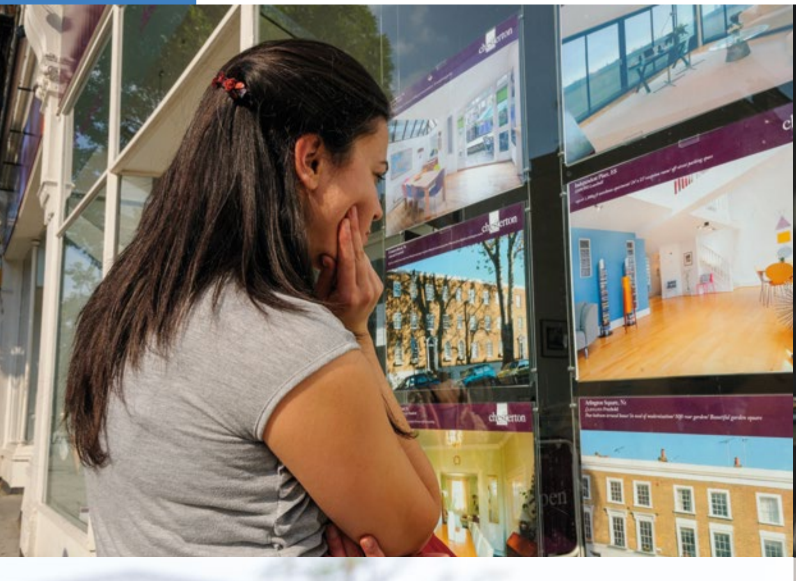
ROUNDTABLE



HARNESSING DIGITAL TO MOVE MONEY MINDSET

– RELEVANT MATERIAL
– PERSONAL, ETHICAL, DIGITAL

IN ASSOCIATION WITH

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Our workplace pensions give a wide range of options

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A HYPER-PERSONAL APPROACH TO PERSONAL FINANCES

AI is accelerating adoption of digital engagement techniques

John Greenwood
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When one thinks about the way Facebook, Amazon, Apple, Netflix, Google and any number of other digital businesses communicate with us, it's clear there is plenty more the pensions industry can do to engage scheme members with content that is relevant to them.

Financial services is of course different to the areas that the FAANGs operate in, and the ability to stray over from guidance into the realm of regulated advice is not something that troubles online marketplaces or TV streaming services. But even within the confines of what can be done through guidance, there is obviously much, much more that the pensions and broader financial services industry can do to use the wealth of data held on individuals to support them in moving towards better outcomes.

Workplace pensions are by their very nature mass market arrangements, with default funds that serve tens of thousands, even millions of individuals, with the same proposition.

But when it comes to financial wellbeing and resilience, individuals' challenges vary widely, and comms and guidance needs to be timely, relevant and well presented if it is to succeed.

Providers already hold a wealth of data on individuals, and use it in a non-advised context, for example age for derisking and post code for annuity sales. But there is much more that can, should and, with the growth of AI, will be done.

It is inconcievable we won't, in a few years, have algorithms and bots giving complex information to individuals about their finances, getting closer and closer to the advice boundary, while remaining in the low-cost arena of guidance.

The power of digital communication, for good or bad, is undisputed, and the growth of digital comms will raise numerous ethical and consumer protection challenges. Monitoring the outcomes generated by increasingly sophisticated digital interventions will become an increasingly important element of provider evaluation.

INSIDE

HARNESSING DIGITAL TO MOVE MONEY MINDSET

RELEVANT MATERIAL

Financial wellbeing challenges come in different shapes and sizes, and at different stages in people's live. Wellbeing engagement, communications and guidance content needs to be relevant to the individual to be truly effective. Muna Abdi reports

People across society are facing increased financial wellbeing challenges. But the challenges different individuals face and the solutions to their problems vary considerably. A segmented and personalised approach to employee communications, engagement and financial wellbeing is therefore needed to improve outcomes for UK employees.

That was the view of delegates at a Corporate Adviser round table discussion, 'Harnessing digital to move money mindset', where they explored the way factors such as age, gender, income, family, and culture impact people's finances in different ways.

Defining financial wellbeing

Different definitions of financial wellbeing exist across the intermediary sector, but all at the event agreed that whatever terminology is used, it is crucial that it does not alienate the recipient. XPS head of DC Sophia Singleton stressed that financial wellbeing extends beyond the paycheck. She argued that using the word 'wellbeing' was problematic because it could come across as patronising or overly optimistic. "It's about acknowledging the tension between how one feels and their financial situation," she said.

The conversation delved further into terminology preferences, with some advocating for terms like 'financial health' and 'financial confidence' over 'financial education', which delegates agreed can be condescending to members.

According to Aviva's head of workplace client engagement, Laura Stewart-Smith, the provider defines financial wellbeing as "how an individual feels about their financial situation," indicating its subjective nature and the importance of personal perceptions.

Others offered alternative perspectives, suggesting terms like 'financial stability', 'security for today and tomorrow' and 'financial resilience' to describe financial wellbeing.


XPS head of DC Sophia Singleton and Quietroom development lead Joe Craig


(Left to right) EBC Collective's Paul Forde; LCP's Heidi Allan and Gallagher Consulting Services' Jason Cannon

Capita Pension Solutions director of pensions policy Anish Rav said: "I think it's better to say it's understanding your financial picture, because wellbeing suggests that it's well, and for some people, it's not going to be well."

The discussion highlighted the importance of knowledge, and resilience in achieving financial wellbeing. Delegates underscored the importance of stability and understanding in financial management, acknowledging that financial wellbeing is a journey rather than a static state.

"For a lot of people, it's a journey. It's not a situation where you're at a particular point in time and you're trying to get to this other point. It's all the bumps in the road that you have to endure to get from point A to point B," added Rav.

Empowerment

Quietroom development lead Joe Craig emphasised the importance of initiating dialogue and building trust through asking questions. He distinguished between broad, all-employee surveys and in-depth questioning of smaller focus groups of staff. He also highlighted the value of open-ended questions in surveys, as they give room for employees to expand on what they truly think.

He said: "The simple act of asking people about their finances can empower them and shed light on areas needing improvement.

"The first really powerful thing is the act of asking as this builds a relationship of trust."

This approach can provide valuable insights into consumer perceptions and understanding. Craig emphasised the need to understand individual perspectives on financial stability. He cautioned against assuming that education alone leads to empowerment, stressing the importance of personalised approaches that focus on how individuals feel about their financial futures.

Employer's role

Delegates discussed the multiple objectives of employers: reducing stress and increasing productivity while supporting employees' financial wellbeing. They explored the balance between paternalistic approaches and genuine support, ▶

acknowledging the complexity of addressing employees' financial concerns effectively.

At the same time, financial wellbeing initiatives also play a role in attracting and retaining top talent. Employees increasingly consider benefits beyond pay, including financial wellbeing support, when evaluating job opportunities and considering switching employers.

EBC Collective partner Paul Forde said: "For a number of employers, it's difficult to get really good people on board because there's an expectation level now that maybe wasn't there pre-lockdown. We see people who are looking to move from one employer to another but have a real consideration of the benefits they may lose by switching.

"It's not just about pay in terms of financial wellbeing, more there are other parts to the equation now that employees are considering. If they're looking to move and they see an employer who doesn't have that structure in place in terms of financial wellbeing support, it might alter their decision-making process."

Segmentation

Different circumstances demand different approaches to financial wellbeing as factors such as divorce, low pay, housing and the financial strains of raising children create particular challenges for individuals.

Delegates noted that financial wellbeing fluctuates throughout life stages, with significant disruptions often occurring during major life events. Employers recognise the importance of recognising diversity factors within segmentation of financial wellbeing support, particularly when combined with the specific challenges faced by vulnerable groups such as single parents and caregivers.

Stewart-Smith noted some groups face specific challenges. She said employers need to look at tailor-made solutions to address these problems. This may vary from employer to employer, or in some cases involve employers targeting different solutions to different parts of their workforce.

She said: "Considering diverse pockets and types of financial situations is crucial. For instance, individuals facing divorce, low pay, or the financial strain of raising children may have vastly different needs and challenges."

LCP head of financial wellbeing Heidi Allan said: "Furthermore, some groups, like those with high debt or in hospitality, face particular challenges. For instance, while payroll lending may not be ideal, options like Wagestream can provide relief for


Capita Pension Solutions' Anish Rav


Quietroom's Joe Craig

Aviva's Laura Stewart-Smith

(Left to right) Capita Pension Solutions director of pensions policy Anish Rav; Aviva director of workplace savings and retirement Emma Douglas; EBC Collective partner Paul Forde

those living paycheck to paycheck."

Allan raised the issue of financial literacy gaps, highlighting an example of a woman who, lacking an understanding of progressive tax, avoided a pay rise by reducing her hours worked, thinking she would be taxed at a higher rate across the entirety of her income once she passed the higher rate taxpayer threshold.

She said: "We also need to address financial literacy gaps. Creating safe spaces for discussing financial matters is essential, especially for senior staff who may feel embarrassed about their lack of financial acumen."

High income challenges

According to Allan, individuals earning between £70,000 and £100,000 annually are facing a significant financial squeeze, caused by high debt levels, minimal savings, and for some the burden of supporting both younger and older generations.

Research from LCP reveals that those in this "sandwich generation" are struggling to cope, and that their problems are being exacerbated by rising living costs.

She said that, surprisingly, some in this group are turning to payday lenders and loan sharks due to limited access to traditional borrowing options. Adding to the challenge is the reluctance to seek help, especially given their professional responsibilities as senior figures within organisations.

Allan said: "It's really difficult for them to open up and ask for help, especially if they're looking after a budget or a profit and loss account within a business."

Mortgage

Aviva's director of workplace savings and retirement, Emma Douglas brought attention to retirees and their financial challenges with housing costs. She cited a study conducted by the Pensions Policy Institute, sponsored by Aviva, which used the organisation's pensions framework facility to highlight the very significant financial challenges faced by the growing number of people paying for housing into retirement.

The PPI study covered mortgage payments, private rentals, and social housing. The research results highlighted the financial burden placed on retirees, who need to find at least £14,400 a year to fund a basic standard of living, before housing costs, according to the PLSA retirement living standards.

Douglas said this could potentially lead to a shift towards multi-generational ▶

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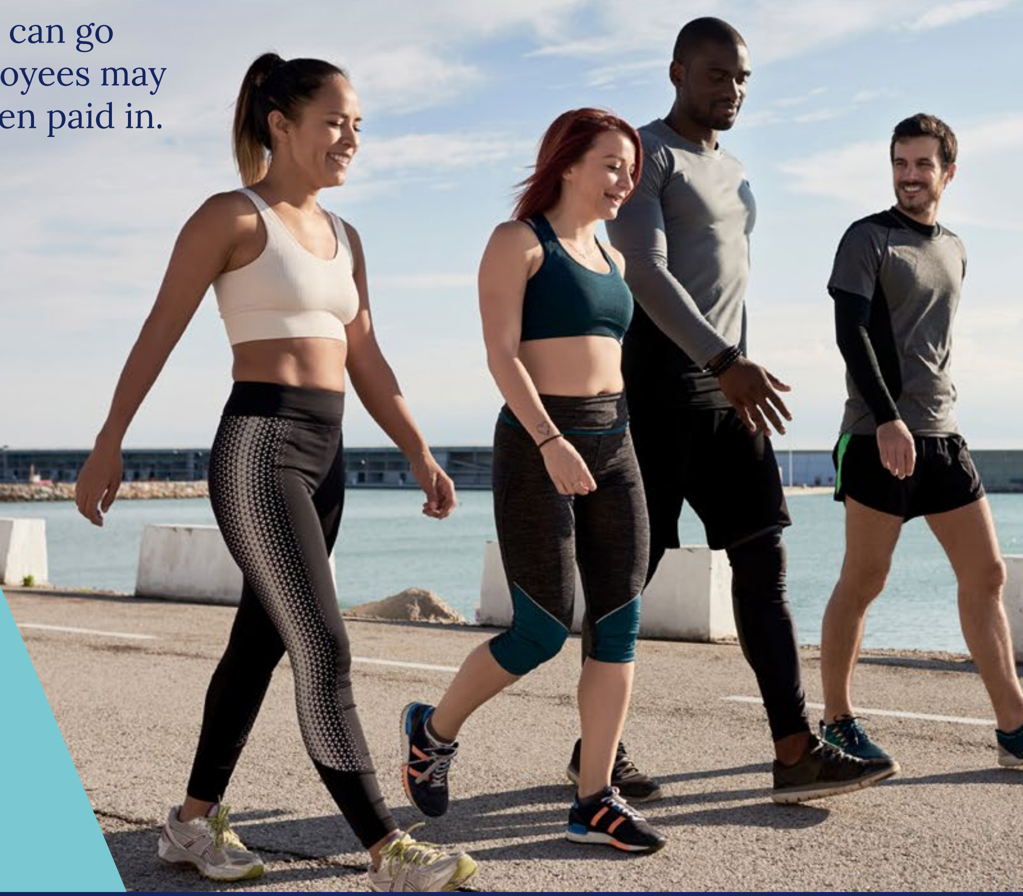

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(Clockwise from right) EBC Collective partner Paul Forde; XPS head of DC Sophia Singleton; and Aviva director of workplace savings and retirement, Emma Douglas

Douglas highlighted the importance of a financial dashboard, which, rather than focusing solely on earnings, could reveal other substantial information

living arrangements due to unaffordable housing costs, reminiscent of past societal structures.

She said: "Looking at the PLSA retirement living standards, your minimum is £14,400 for a single person, £22,400 for a couple, with no housing costs.

"Rent is around £8,000 a year extra on average, nationally, or £14,000 a year extra if you live in London, for a single person. There is a danger people will be flat-sharing in their 70s."

Singleton highlighted the importance of employer support in mitigating housing costs for the workforce and promoting homeownership to employees.

She emphasised the need to incorporate housing wealth within retirement planning, saying: "because of the inadequacy of savings we have in pensions, people are going to have to use their homes as their future pension."

She stressed the need for the housing market to adapt to this shift, advocating for individuals to own their homes by retirement age to secure their financial stability.

Dashboard

Douglas highlighted the importance of financial dashboards, which, rather than focusing solely on earnings, could reveal other substantial information.

She said: "We must acknowledge that financial wellbeing is more than just how much one earns. For instance, a dashboard could reveal concerning trends in pension readiness, especially regarding housing costs into retirement." ■

HARNESSING DIGITAL TO MOVE MONEY MINDSET

PERSONAL, DIGITAL, ETHICAL

Pension providers are leveraging big data and artificial intelligence (AI) to better understand scheme members and make their communication strategies more personal. This drive towards hyper-personalisation can drastically improve engagement but also raises new questions in relation to ethics and responsible data usage, hears Muna Abdi

The pensions industry has some time to go before it catches up with TikTok, Facebook and Instagram. Big data and AI are already starting to transform the way providers, advisers and employers talk to staff about their pensions and benefits, but we are only at the beginning of this journey of change, and opportunities and risks lie ahead as new technology is embraced.

Delegates at a recent Corporate Adviser round table on harnessing digital to move money mindset discussed the effectiveness of communication strategies in engaging different segments of the population and the need to tailor communications to individual preferences and life stages.

Trust

According to Joe Craig, development lead at Quietroom, it is of paramount importance to set clear objectives and parameters at the beginning of a communications project to define what engagement entails and how it will be measured. This involves establishing measurable outcomes and understanding that achieving better outcomes is long-term and may span years.

He suggested that testing content with a few people can provide insights into a broader understanding without the need for extensive questionnaires for every communication recipient.

He addded that posing wide, open-ended questions promotes trust and motivates businesses to use this strategy. Craig made a point of highlighting the value of continuously testing and improving communication techniques to reduce the gap between perceived and actual understanding.

XPS head of DC Sophia Singleton and Quietroom development lead Joe Craig

(Left to right) Capita Pension Solutions director of pensions policy Anish Rav; Aviva director of workplace savings and retirement, Emma Douglas; EBC Collective partner Paul Forde; LCP head of financial wellbeing Heidi Allan and Gallagher Consulting Services' Jason Cannon

He said: "We're in a position now which we haven't been in before, where we can ask more questions and get people to just talk and use their own language."

Craig mentioned the importance of reflecting back the language used by respondents.

He highlighted how people perceive pensions differently based on their stage of life. Many associate pensions with the state pension, with online search data revealing a strong focus on state pension queries.

He went on to explain that as people approach retirement they tend to learn more about workplace pensions. However, terminology can be confusing, as some prefer the term 'savings' instead.

Hyper-personalisation

The concept of hyper-personalisation in communication strategies involves tailoring messages to individual members of the scheme based on various factors such as their age, stage in the scheme, external market conditions, and the objectives of their employer. This can help ensure efficacy and relevance

According to Aviva's head of workplace client engagement Laura Stewart-Smith, segmentation strategies have evolved to include various factors, including life stages and market segments. Traditionally, segmentation has been based on demographics such as age points such as mid-life or retirement, as well as market segments defined by what people in a particular demographic might be doing. However, there is a shift towards considering how people feel and whether they take action based on communications received.

She emphasised the importance of measuring audience response and utilising data science to predict and prompt desired actions.

She said: "We are increasing the use of data science and understanding the impact that communications have. We will test A and B types of communications with different audiences, different segments of the market and different points in the ▶

journey. We will use data science to build a picture and predict what we think people will do next, and prompt them towards appropriate actions. For example, it might be that somebody is approaching retirement and they're interacting online with the forecaster a lot. You know these people are looking at their retirement options."

But there is a limit as to how specific this approach can be. She stressed the need for flexibility and customisation in communication strategies and the danger of assuming homogeneity among demographic groupings.

She said: "We are looking at how we utilise the data that we hold to bring the right information to people at the right time. It's a trust thing as well. There can be certain things that we're never going to have access to unless somebody is prepared to tell us that information. Then if they give it us, we can build on that."

Big data

According to Stewart-Smith, there will always be data gaps, but the goal is to use the data that is already available to provide people with relevant information at the right times. She said that AI has great potential, but also noted that there isn't a perfect understanding of how to use it in the world of personal finance at this time.

She acknowledged the efficacy of digital tools and tailored content in inciting action. She also stressed the need for trust when gathering personal data from individuals and the constraints that come with accessing particular data without express agreement.

Emma Douglas, director of workplace savings and retirement at Aviva, noted that efforts are being made to strengthen communication strategies outside of the pension industry by leveraging big data and advanced techniques like speech analytics. She mentioned how important it is to evaluate communication strategies and use word clouds and other tools to get insights that can be used to improve approaches.

She pointed to the complexities of creating communication strategies tailored to individuals' diverse life stages, highlighting the challenges in obtaining comprehensive data for pension-related purposes.

Douglas also touched on the effective use of propensity modelling, emphasising its role in predicting consumer behaviour and tailoring communications. This method goes beyond traditional considerations of life stages, offering a comprehensive approach to anticipate individuals' future actions. She highlighted the predictive aspect of propensity modelling, citing examples like retirement calculators or requests for financial advice as signals of potential changes in behaviour.

Aviva head of workplace client engagement, Laura Stewart-Smith and (left) Gallagher Consulting Services' Jason Cannon.
(Below right) Aviva director of workplace savings and retirement Emma Douglas; EBC Collective partner Paul Forde; LCP head of financial wellbeing Heidi Allan

She said that these triggers allow companies like Aviva to intervene proactively and offer assistance tailored to individual needs.

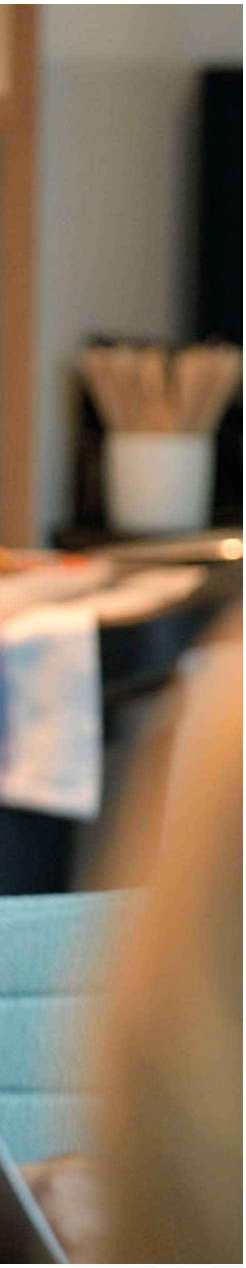
Douglas said: "There's a lot we can do around this propensity modelling, observing what people are doing. You can overlay life stages on that and add other bits of data."

Postcode data

Singleton mentioned that she employs postcode data to assist employers and pension schemes in obtaining more comprehensive insights into their membership demographics.

This data aids in tailoring communications, sometimes to specific groups, to align with the insights derived from the information. However, Singleton emphasised that this customisation isn't personalised to the individual's address; rather, it's used to enhance the relevance of the information being sent out based on broader demographic trends.

Additionally, Singleton highlighted that this practice has challenged some schemes' assumptions about their members' financial capacities, leading to adjustments in their communication strategies regarding savings and tax benefits.



Ethical considerations

Delegates reflected on the ethical implications of hyper-personalisation and big data and its role within industry practices.

Douglas emphasised it is important not to penalise customers based on data that has been collected. Ethical considerations are paramount in ensuring the fair treatment of custoners and maintaining trust.

She said: "There's a massive ethical question that sits at the heart of this. You have to have the customer's interests at heart."

Douglas added that while Aviva hasn't extensively used data beyond basic information like addresses, it recognises the need for careful consideration of how data is used and the purposes for which it is employed, highlighting the importance of constant monitoring and scrutiny of algorithms to ensure ethical and responsible practices.

Privacy

Singleton noted the increasing integration of personal data into strategies and acknowledged the concerns surrounding privacy and accuracy.

As technology advances, Singleton suggested that assumptions about individuals may become more refined. She pointed out the importance of ensuring accuracy and respecting privacy boundaries and implied that the pensions industry must navigate these complexities cautiously to maintain trust and relevance.

She said: "As technology moves forward, some of those assumptions will become more accurate. It becomes more comfortable for the pensions industry to be able to use some of those assumptions."

Legal challenge

There are many legal challenges for the pensions industry when it comes to personalising communications. Craig said: "The more you personalise something, the closer you're getting to hot water in that you can stray over the boundary into regulated advice."

He said that schemes vary in their risk tolerance regarding the risk that personalised communications could be interpreted as advice, This can influence the level of support provided.

However, he added that new generations are now demanding tailored experiences similar to those they get in other industries and that AI-driven solutions are redefining expectations. This change emphasises how full connectivity—which goes beyond pension data—is necessary to satisfy changing customer needs.

He said: "What you can get with AI is a complete change to people's expectations of what support looks like. Rather than waiting for your pension scheme to write to you with something that may or may not be segmented, personalised or tailored just for you, you just go and use a chatbot. What you expect based on your experience with every other organisation outside the financial world is that the algorithm you're talking to knows your information."

Craig noted that, despite their limits in offering financial advice, there is a growing expectation for chatbots to offer personalised information and guidance. In future is will not be enough to have a chatbot that knows about someone's pension status; it also needs to take into account other factors of financial wellness, although again, the extent to which having this data results in approach something like a personalised recommendation remains a concern.

Anish Rav, director of pensions policy at Capita Pension Solutions highlighted the importance of informing people about the benefits of sharing comprehensive data, particularly regarding financial wellbeing and the use of AI. He voiced worries that people might need help comprehending why their data is being gathered and how it enhances the user experience.

He recommended that the financial services and pensions sectors focus on showcasing the benefits of data sharing to promote openness and user trust. ■

Q&A

HOW EFFECTIVE FINANCIAL WELLBEING PROGRAMMES SUPPORT EMPLOYEES

» **Dawn Anderson** head of workplace proposition, Aviva

How important are finances to an individual's overall wellbeing?

Financial wellbeing is a critical part of an individual's wellbeing. If people are anxious or stressed about money this is likely to have a detrimental impact on their mental and physical health. This is a significant problem in the workplace - a recent survey found 87 per cent of those with financial worries said it affects their work. The cost-of-living crisis has thrown this problem into sharp relief for many employers who are looking at ways they can support their employees whether it is with immediate day-to-day money concerns or longer-term planning, to help people feel more secure about their financial future.

Is financial wellbeing an issue that affects all employees?

It is an issue that can affect anyone, regardless of their income or seniority in the workplace. Financial wellbeing is not determined by how much money someone has in their current account at the end of the month, nor how much debt they might have. An individual might be on a good salary and paying all their bills on time, but still be lying awake at night worrying about money — whether it's how much their mortgage might increase, or whether they will ever be able to afford to retire.

Financial wellbeing is more about an individual's attitude to money than a figure in their bank balance or pension fund. These attitudes can be based on a whole range of factors, including their experience of handling money, their background and the level of their knowledge of finance.

How do external events impact financial wellbeing?

Financial wellbeing is not a constant - it can go up and down as people's personal and financial circumstances change. This may be driven by various life events, such as moving house, starting a family or being made redundant. These can have a significant impact on day-to-day finances but can also shift longer-term thinking around financial goals. Ill-health, for example, might make some people re-appraise their retirement options, while having a baby might prompt people to want to save more.

How can employers support financial wellbeing?

Employers are increasingly looking to offer information and a range of support services and tools designed to help improve the financial wellbeing of their staff. But individuals' needs vary hugely, so it is important that these services can be tailored to support these diverse needs: from help with bills and budgeting to retirement planning.

Employees are less likely to engage with wellbeing services if they are faced with a wall of information, most of which is not relevant to them, so it is important to personalise content where possible. Aviva has a number of segmentation tools that can help with this.

How can technology help deliver a successful financial wellbeing programme?

The MyWorkplace app is being further developed to feature a new wellbeing support tool which will use technology to deliver more personalised support. Through a series of short intuitive questions on how people feel about their finances, the new tool will help direct employees to key online content in a variety of formats, including video, audio and interactive tools, as well as standard educational reading materials, and where relevant will signpost internal or external support: be it Citizens Advice or links to comprehensive financial advice which Aviva can also provide through our partners Succession Wealth.

The new financial welllbeing tool will offer employees an action plan, a series of tangible bitesize steps they can take — education, guidance, advice or coaching services — that can address their current financial needs and help reduce stress and anxiety around money issues. An important part of this is ensuring people don't feel alone. Simply providing reassurance that others are in the same situation and have concerns about these issues can be hugely helpful and make a significant difference.

In future we envisage artificial intelligence being used to deliver a truly personalised service.

How can improved financial wellbeing drive better retirement outcomes?

If people are worried about their day-to-day finances, they are unlikely to be able to prioritise saving or planning for the future. But we also know a lot of people are anxious about their future finances. A recent Aviva survey found 65 per cent of people want a retirement income that will last a lifetime, but only 42 per cent thought they would be able to achieve this. Similarly, 63 per cent want a comfortable standard of living in retirement – but only 53 per cent were confident they were on track to do this.

This shortfall shows just how many people are anxious about their longer-term finances. By prioritising financial wellbeing in the workplace we can start to give people the information and the tools they need to tackle these concerns and build a more secure financial future. ■

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