

# EValue

How to engage employees with  
financial matters online



# Introduction

In this 'How To' guide we'll be looking at the issues employers need to consider in order to engage their employees with financial matters.

Spending in the UK on providing pensions and associated benefits, such as long term care, is projected to rise sharply in future years due to longer life expectancy. Such rising costs mean that financial risks and responsibilities are inexorably shifting to employees who will now need to ensure their own financial stability in old age.

Unfortunately, many employees still assume that the responsibility for providing pensions and associated benefits in retirement falls to the government and their employer and do not necessarily realise or accept that they now carry the financial risk. Worryingly, increasing numbers of working people who should be saving are either saving nothing or not saving enough for their retirement.

To combat this, auto enrolment was introduced as a way of getting the working population to save. But this is not enough to plug the savings gap.

By encouraging employees to save and offering support to its workforce, in terms of access to financial websites and tailored employee benefits, an employer can help to instil savings values and financial responsibilities in its workforce and enable employees to make informed decisions and independent choices.

This guide considers the steps needed to engage employees with these issues online, by assessing the impact of changes in the financial landscape and detailing how this can be addressed by employers and their workforces.

## **Step 1: Recognise the importance of engaging employees with financial matters**

In recent years, more and more responsibility has been placed on employees for managing their own investments and retirement plans. This culminated in George Osborne's 2014 budget when he announced that, from April 2015, the Government plans to allow employees greater flexibility as to what they can do with their Defined Contribution (DC) pension pots. (The final value of such pots depends on the performance of the investments that the retirement savings are paid into).

At present, many people feel that they have little choice but to use their pension pot to buy an annuity (which provides a fixed income for the rest of an employee's life). However, the new proposals will mean that, from age 55, employees will be able to cash in as much or as little of their pension pots as they want.

Even though the Government has guaranteed £20 million to ensure that anyone with a DC pension is offered free and impartial face to face guidance, the reality is that employees are now being asked to make major financial decisions which will affect their future and to understand the financial risks and ramifications associated with their decisions.

As a result, it has become increasingly important that employees are given the information, training and tools required to help them optimise their financial decisions.

Greater engagement in all financial issues, through user-friendly financial planning packages, along with more flexibility and incentives to build up long term savings, are therefore required to avoid employees suffering financial hardship in old age.

Realistically, however, the most immediate task is to encourage employees just to get started.

## **Step 2: Understand the reasons why employees fail to engage with financial matters**

With a large number of different financial products currently available on the market, and continual changes being made to these products, a lot of employees are turned off by the financial planning process which they perceive to be too complicated and unclear. Many feel they lack sufficient knowledge, time and maths skills to independently undertake any financial planning and do not feel confident in their own ability to decide how to manage their finances. As a result, some employees are often deterred from engaging in financial issues, even where they realise the importance of doing so.

Many people also lack a basic understanding of investment risk and return and are poor at assessing risks. Different ways of explaining risks, and how this affects possible future investment outcomes, inevitably leads to different conclusions. Consequently, it is not surprising that employees, who are not clear about investment risk, avoid making any decisions about their finances.

Even those individuals who already have pension funds and other investments in place are often reluctant to make any decisions on managing their finances, preferring the status quo and avoiding the possibility of regretting any decisions they take in the future.

Furthermore, previous attempts at educating the public, in order for them to make better financial decisions, have proved unsuccessful. Financial education courses have been found to have improved scores on financial literacy tests by as little as 2%. Worse still, such courses have been shown to have had the effect of promoting, in participants, an over-confidence concerning their understanding of finance.

Designers of financial websites need to take note.

### Step 3: Address the problem of decision avoidance

There are a number of insights from behavioural science that can be used to help with decision avoidance:

- A difficult subject matter, like personal finance, can be made more congenial if the issues involved are presented visually rather than conceptually;
- Concrete nouns and active verbs should be used when writing;
- Images and games can help to convey an understanding of financial concepts including investment risk and asset allocation; and
- Bar charts or icon plots can convey, more effectively, the assessed chances of outcomes and where exactly on a risk scale an employee sits.

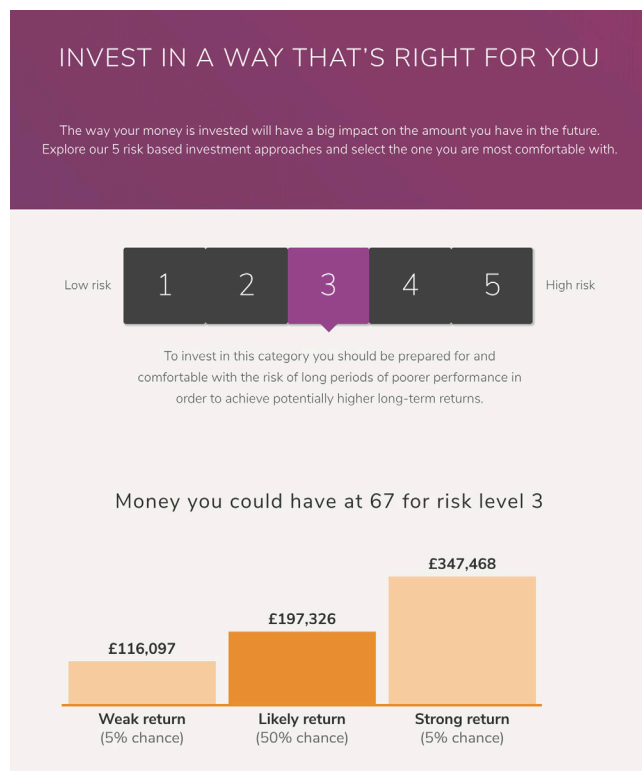
When constructing financial websites, these and other techniques can help an employee visualise the issues and, by inspiring curiosity and understanding, they can help overcome decision avoidance.

Financial website design should involve using, for example, simulations in which employees can play with hypothetical entries (preferably sliders rather than data entry) to see a range of possible futures. By emphasising the element of play rather than financial decision the site may quell the dread associated with financial tasks. Such a site would also not require employees to possess unrealistic levels of financial education.

Employees would still need to understand the risk in their choices, but imparting such an understanding could be achieved through a variety of graphical tools or, again, through simulations presenting a range of outcomes. These outcomes could be made all the more vivid by depicting them, perhaps, with images of what the potential future lifestyles might look like. Good financial planning packages help employees to 'see' themselves in the future, which can have a dramatic impact in engaging them with long-term saving.

Employers can further help engage employees in financial matters by providing planning packages which are age appropriate. Younger employees may have more technological knowledge but may be less interested in saving for the long-term. Older workers, on the other hand, may need more structured and specific support as they reach retirement. While senior executives may require extra assistance in constructing a more complex financial planning package.

As well as being age appropriate, employers can also help provide engaging financial planning packages by taking into account different user preferences such as those that exist between men and women.



Research has shown that women prefer websites which have a lot of information on each page with clearly marked navigation that allows them to remain only one click away from the home page. Men, on the other hand, generally prefer websites which require more navigation from page to page and which look more technically challenging, although they do not seem to be put off by sites which are primarily built with women's preferences in mind.

Finally, as the general use of mobile technology and apps increases, it is important to engage with employees in this way. The more complicated procedures and financial transactions are likely to continue to be desktop or PC-based for some time yet, but if serious employee engagement with personal finance is to be achieved, an increase in the use of mobile technology is essential.

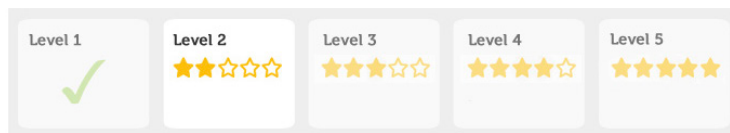
#### Step 4: Make use of gamification

Gamification is the use of game elements and game design, such as point scoring or amassing rewards for completing tasks in non-game environments, including financial planning websites. The idea is to use strategies pioneered in popular games to drive employee behaviour and engage employees with financial websites at the outset, and on an on-going basis, in order to facilitate better financial decisions.

The key behaviours that a gamification strategy might be designed to encourage are:

- Getting employees to regularly login to check on their progress towards their financial goals;
- Getting employees to login whenever they have a change in circumstances;
- To increase the financial literacy or confidence of employees so that they can then benefit from making the right investments and maximising their returns.

##### Increase your pensions knowledge:



The following describe the four different personality types that financial website designers need to target in order to ensure their tools appeal to all employees and potential pension investors.

#### Achievement: Status, Recognition, Prizes

These employees like to accumulate status. They are often competitive. Financial websites could award badges, honours and virtual goods that can be displayed on the employee's dashboard within the website. If there is an employee forum then adding leader boards based on activities within the forum would be desirable.



## Immersion: Discovery, Role-Playing, Customisation, Escapism

These employees like to role play. They enjoy escapism and getting out of their comfort zone. They will want to learn more about how other employees achieved success. The use of avatars and challenges will involve them in the site. They will want to come up with new challenges and perhaps goals too, so providing a method for them to feed these ideas is important.

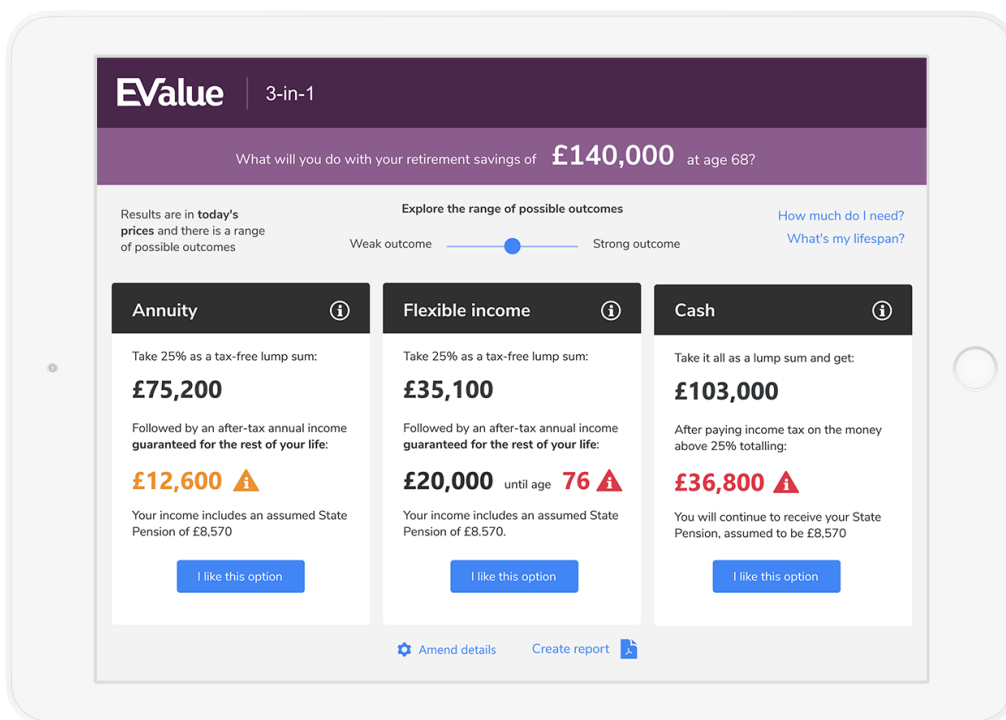
## Social: Discovery, Socialising, Relationship, Teamwork

These employees want to play and socialise with others. They want to spread knowledge and help build communities. They are likely to engage in a forum, to mentor new employees and to share tips from their own experiences. They will want to spread the word and refer new employees to the website. They could also be encouraged to form investment clubs and to achieve goals as a team.

## Serious: Meaningful, Good for planet, Good for you

Nearly all people are intrinsically motivated by any serious effects of their play. Simply by using a financial website to achieve financial goals will provide a rewarding feeling. These employees will also want to share knowledge with other people with similar financial goals to meet.

Successful gamification can engage employees with financial issues and allow them to have fun whilst learning and taking action to secure their future financial security.



# The EValue approach

Current demographic trends and the changing regulatory landscape mean that the present situation is unsustainable in terms of the state providing pensions and associated benefits. Employers have to play a greater role in supporting their employees in achieving future financial security. This means putting in place systems which enable employees to take responsibility for planning their own financial future and aid monetary independence in an increasingly dynamic economic landscape, where the financial risks and responsibilities have shifted inexorably, and irreversibly, from the state to the individual.

A considerable amount of research and effort has been undertaken by EValue to design Moneybee, an independent financial planning portal. Moneybee is fully interactive and is designed to engage, educate and support employees in their own finances and help in their decision making process. Moneybee uses a combination of vivid imagery and carefully selected scenarios to give employees a clear understanding of the options available and displays potential outcomes using a combination of different styles of images and figures.

We hope you found this EValue 'How To' Guide helpful. Look out for others appearing on our website at [ev.uk](http://ev.uk), where you can also find details about our range of Pension Freedom solutions, including 3 in 1 Retirement Options and Income Risk Questionnaire.

If there is a subject you'd like to know more about, then we'd love to hear from you. Please email us directly: [contact@ev.uk](mailto:contact@ev.uk)

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