

Finding the Right Words: Enhancing Retirement Plan Participant Communications

Michael A. Webb, CEBS, Vice President
Cammack Retirement Group

Plan sponsors are always seeking to communicate more effectively with their participants. Selecting the appropriate channels and breaking through the noise are topics we have discussed at length. But could the actual words used within the communications add to participant confusion? Two studies conducted recently shed light on what causes participant confusion and the importance of the terminology plan sponsors use within their communication pieces. The first, from [DreamForward](#), sought to identify the retirement plan aspects causing the most confusion for participants by analyzing the most frequently asked chatbox questions. The second study, from [Empower](#), focused on retirement plan terminology and the verbiage that is most commonly misunderstood by participants. Taken in conjunction with each other, the results of these studies are captivating. And when implemented, the findings can help plan sponsors and their recordkeepers enhance retirement plan communications.

AVOIDING THE WRONG WORDS

The DreamForward study concluded, somewhat surprisingly, that investments are no longer a primary source of confusion for retirement plan participants. This is likely due to the fact that many employees no longer self-

select their investments and instead opt for a target date fund, which is more easily understood. While the results were quite definite, enrollment communication is generally focused more on plan investments than anything else.

While investments were less confusing for participants, withdrawals were found to be the most confusing topic, followed by rollovers, and employer matches. The rules for withdrawals and rollovers are quite complicated; however, the Empower study provides an alternative suggestion: retirement plan communications typically use jargon rather than wording participants can easily understand, exacerbating the complexity of the topic. For example, when retirement plan sponsors use terminology like “rollover” and “election,” many participants think: “a trick one teaches their dog,” and “the process of choosing political candidates,” respectively. Thus, the use of verbiage like this and others such as, “match,” “distribution,” “deferral,” “allocation,” and “vehicle” can leave participants confused and impede their ability to make retirement plan-related decisions. The Empower study highlighted some additional terms to avoid, including:

- Rebalancing investments
- Asset allocation

- Plan participant (millennials, in particular, are confused by this term)
- Defined contribution retirement plan
- Social Security optimization
- Registered Investment Advisor (RIA)
- Managed account service

CONSIDER THE NUANCES

Even words and phrases that sound the same can be quite different in terms of employee understanding and engagement. For example, consider “match” versus “employer match.” While they are quite similar, and an argument can be made that “match” is the simpler of the two terms, the Empower survey found that respondents significantly preferred “employer match.” Additionally, “contribution rate” was favored over terms such as “savings rate” and “deferral rate.” And survey respondents preferred to be referred to as “employees,” rather than “participants” or “account holders.”

CONCLUSION

It should come as no surprise that the Empower survey found a clear preference for “brief,” “attention-grabbing,” and “simple” communications. Respondents, however, described their current retirement plan communications as exactly the opposite - “long,” “complicated,” and “overwhelming” – likely due to the use of the wrong words.

Retirement plan sponsors should review their plan communications for any offending jargon and either offer a simple explanation as to its meaning or remove it entirely. Nuances and terminology preferences should be considered, and the final phrase should be used consistently across

communication pieces. For complicated communications, plan sponsors may look to share the proposed piece with a focus group less familiar with retirement plans to ensure the message and desired action is clear. Carefully culling messaging language can help plan sponsors shape retirement plan communications that are well received, easily understood, and elicit the desired action.

ABOUT CAMMACK RETIREMENT GROUP

Cammack Retirement Group has been helping retirement plan sponsors meet their goals for half a century. Solely focused on serving retirement plan sponsors, we provide a tailored approach to investment advisory and consulting services. We work with some of the nation’s leading academic and research institutions, healthcare providers, corporations, non-profit organizations and public sector employers to help them manage fiduciary risk.

For more information on our services, please contact **Mike Volo**, Senior Partner, at **781.997.1426** or **mvoloc@cammackretirement.com**.

Note: This feature is to provide general information only, does not constitute legal advice, and cannot be used or substituted for legal or tax advice.

Investment products available through Cammack LaRhette Brokerage, Inc. Investment advisory services available through Cammack LaRhette Advisors, LLC. 100 William Street, Suite 215, Wellesley, MA 02481 | p 781-237-2291