

How to End the Year on a Bright Note

December brings with it an expectation of cheer, hope, and festivities. What your employees do not expect (and, frankly, don't want) are grumpy nudges about enrollment. With the anxiety of the pandemic and lockdowns close behind us, and with the imminent worry over inflation and downturned markets here upon us, participants could use an upbeat message from



leadership on how to make the best of imperfect situations. That means it's time to rethink the language we use to encourage participants to save for retirement and optimize their benefits usage.

Lend Your Hand, Don't Wag Your Finger

For example, many firms cite alarming statistics about retiree health-care expenses in well-intentioned efforts to urge participants to enroll in and contribute to their 401(k)s. A recent study, though, by the Defined Contribution Institutional Investment Association found that retirement savers are much more likely to respond to positive messaging than to negative. Not only are open rates higher on emails with an optimistic spin, but employees are also more likely to take act on the information contained within those emails — like logging into their investment portal (21% vs.12%).

It makes sense—who wants to open and act on an email that feels like scolding or warning? An encouraging, positive communications strategy helps participants really hear the *benefit*—the help—you are offering them. Reaching out to invite questions often prompts employees to take actions necessary to achieve better outcomes—for themselves and for company engagement rates.

Emphasize the Upside

Negative communications can discourage action and even promote investment avoidance. If people get the message that it could be too late to meet their goals, they may figure, “Why even bother trying?” Instead of warnings about retirement readiness, give participants the tools and motivation they need to start catching up. Encourage employees to focus on small, short-term goals that build



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confidence upon achievement. Identifying new habits and practices that are attainable often lead to long-term financial behavior changes. (It works for Dave Ramsey; it will work for you, too!)

Doll Up the Down Markets

Like the markets, retirement planning is a dynamic, high-stakes issue. When markets are volatile, participants may need a little extra support to stay the course. Help them understand that periodic market downturns are expected and describe how they've played out over time. It's good if you can get them to look at the big picture.

For example, you can point out that during the 2008 financial crisis, a lot of investors were understandably anxious about the future, yet a \$5,000 investment in a Dow Jones index fund in 2008 (the heart of the financial crisis) would have been worth more than \$20,000 by the end of 2021. Share Warren Buffett's famous advice to "be fearful when others are greedy, and greedy when others are fearful."

Be Practical, Not Pollyanna

Although it's important to bolster participants' spirits during down markets, don't sugarcoat the truth. If you present an overly rosy picture, you risk eroding your credibility and losing trust. Empower employees by giving them the facts they need to make prudent decisions — and useful context to interpret those facts.

December is here to close out another year of unexpected twists and turns. You can help end the year on a bright note by using positive messaging that encourages employees to fight fiscal fears and take hold of their financial future.

Sources:

<https://dciaa.org/blogpost/1749610/478305/Do-participants-respond-better-to-messages-of-fear-or-encouragement>
<https://financial-calculators.com/historical-investment-calculator>

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