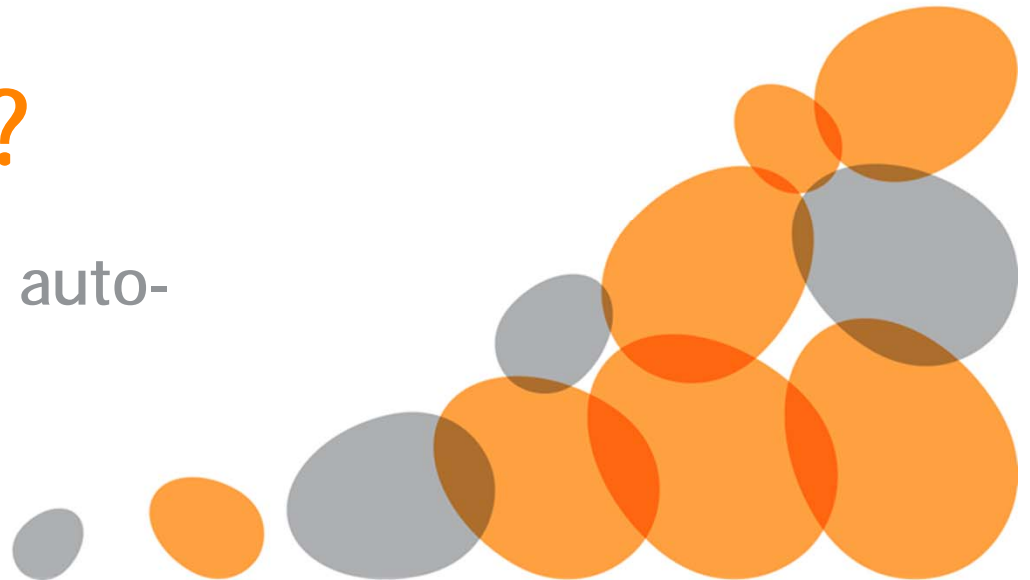




Engage or nudge?

Driving good outcomes in an auto-enrolment world



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Auto enrolment in the UK

Up to 824,500 schemes

Up to 445,100 schemes

Up to 117,900 schemes



Graph starts at 2015/16

Source: Automatic enrolment- Commentary and analysis: April 2015 - March 2016

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How's it going so far?

Up to
5.5m
people saving

NEST has over
3.5m
members

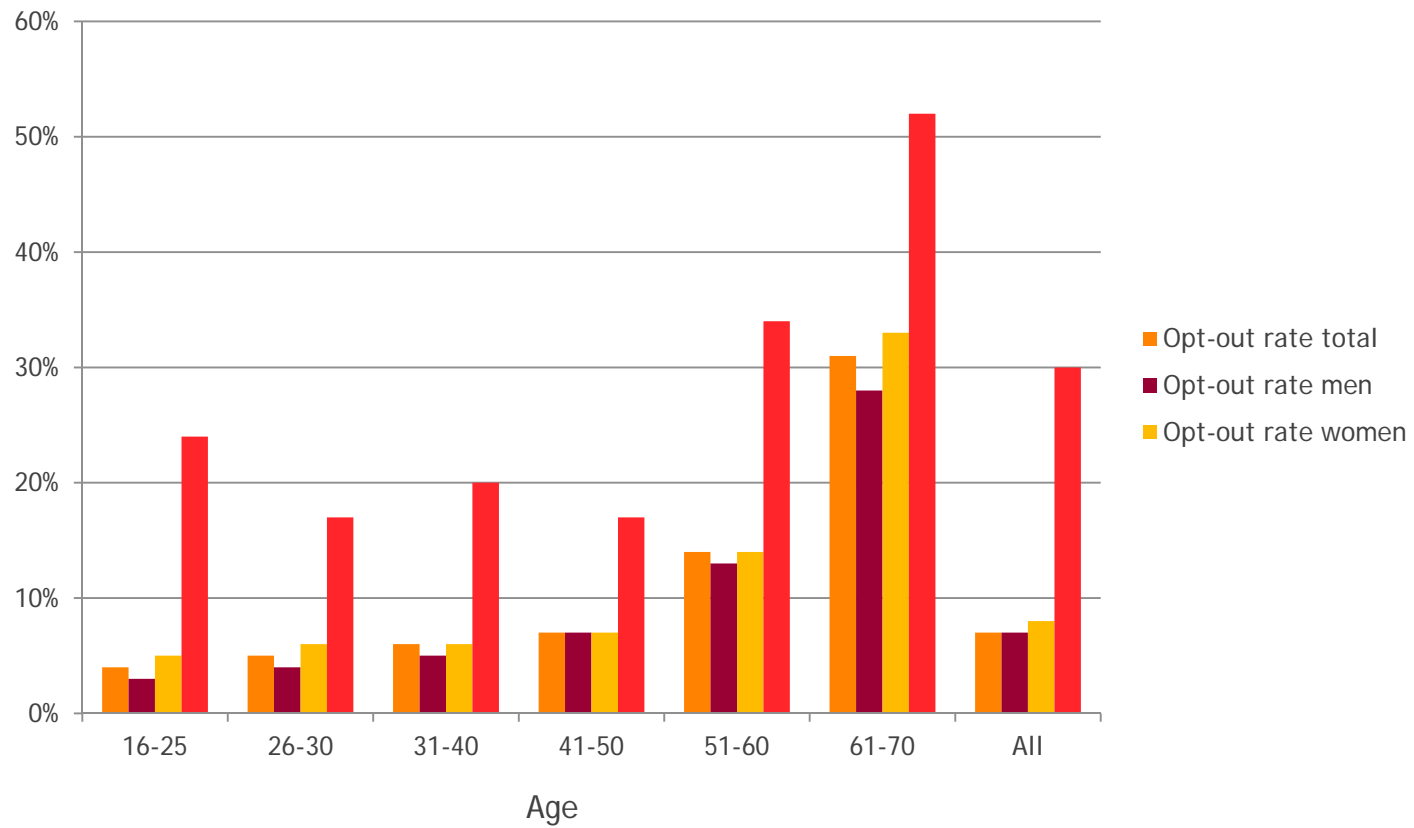
And around
£1bn
AUM

<8%
opt-out rate

77%
think it's a good idea



Opt-out breakdown



...but inertia cuts both ways

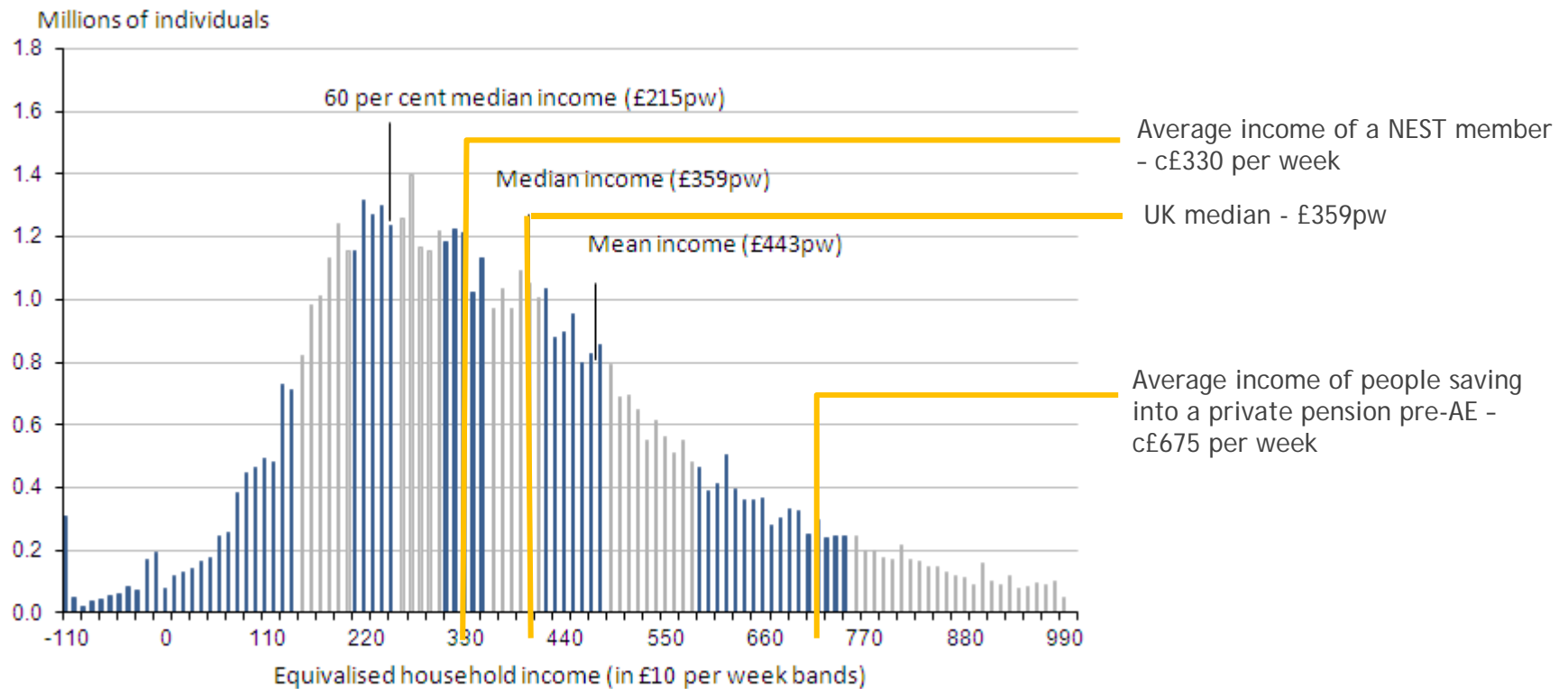
c13%
registered
online

<1% make
active fund
choice

<1% make
additional
contributions



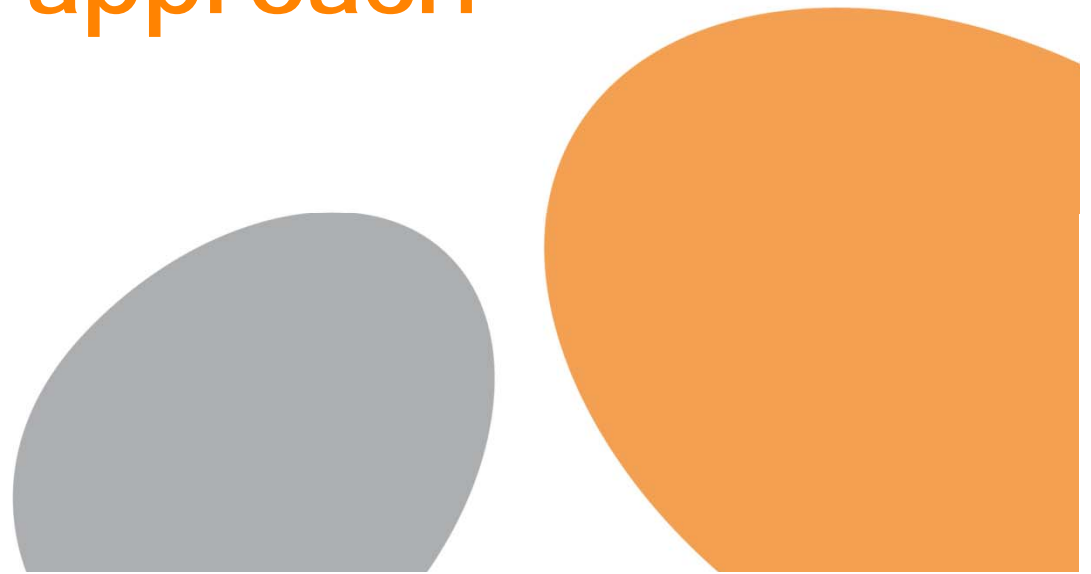
The DC generation is the new 'normal'



Source: Households Below Average Income, Department for Work and Pensions



The behavioural approach



Myth and reality

Ideal journey

Join in mid-20s

Consistent contributions that increase over time

Actively engaged

Start planning their retirement before consolidation



Participation



Contributions



Engagement



Consolidation

Actual journey

Most never save

Broken records and most not saving enough

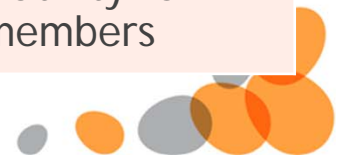
Don't think about it

Think about retirement planning but don't act



Applying behavioural insights

"Traditional" approach	Behavioural insights	AE/NEST approach
Make pensions accessible and well-incentivised	Myopia and status quo bias	Automatic enrolment
Educate and engage to drive participation	Engagement and education do not drive behaviour	Participation drives engagement
Make members decide what suits them best	Bounded rationality	Design defaults that work for members
The more options the better	The paradox of choice	Limited choices that meet members' needs
Contribution rates based on retirement plans	Procrastination	Phased contributions
Maximise growth for younger members	Loss aversion	Minimise volatility for younger members



NEST phrasebook

- Review of existing literature
- Identifying jargon and difficult ideas
- Input from industry groups
- Testing with employers and workers

Terms that
can be used
Example:
without
cash lump
sum
further
definition

Terms that
require a
definition
Example:
tax relief

Terms that
are
trivial
connotation

Terms that
should be
defined
connotation

Simplifying choices

Strong defaults



Single year target date funds

Curated options

NEST Sharia
Fund

NEST Higher
Risk Fund

NEST Ethical
Fund

NEST Lower
Growth Fund

NEST Pre-
retirement Fund

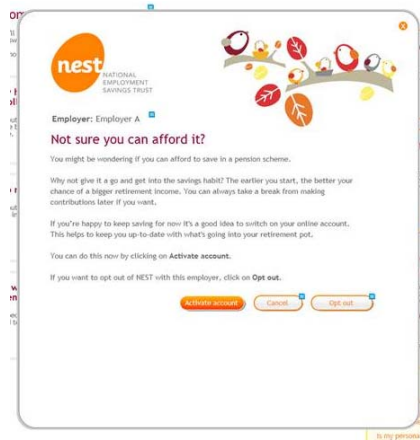
Opt out - the 'checkout walk'



Binary choice



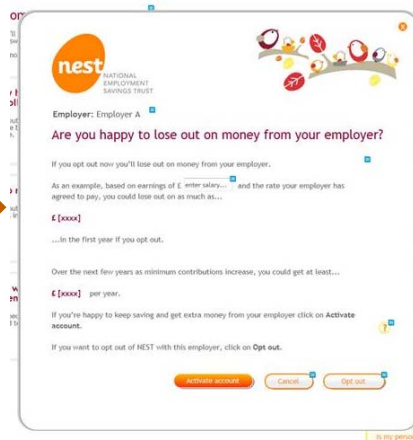
14% dropout



Procrastination



14% dropout



Loss aversion



1% dropout



Confirm



Normalisation

Do you think automatic enrolment is a good idea?



compared to

Are you likely to stay enrolled next time around?

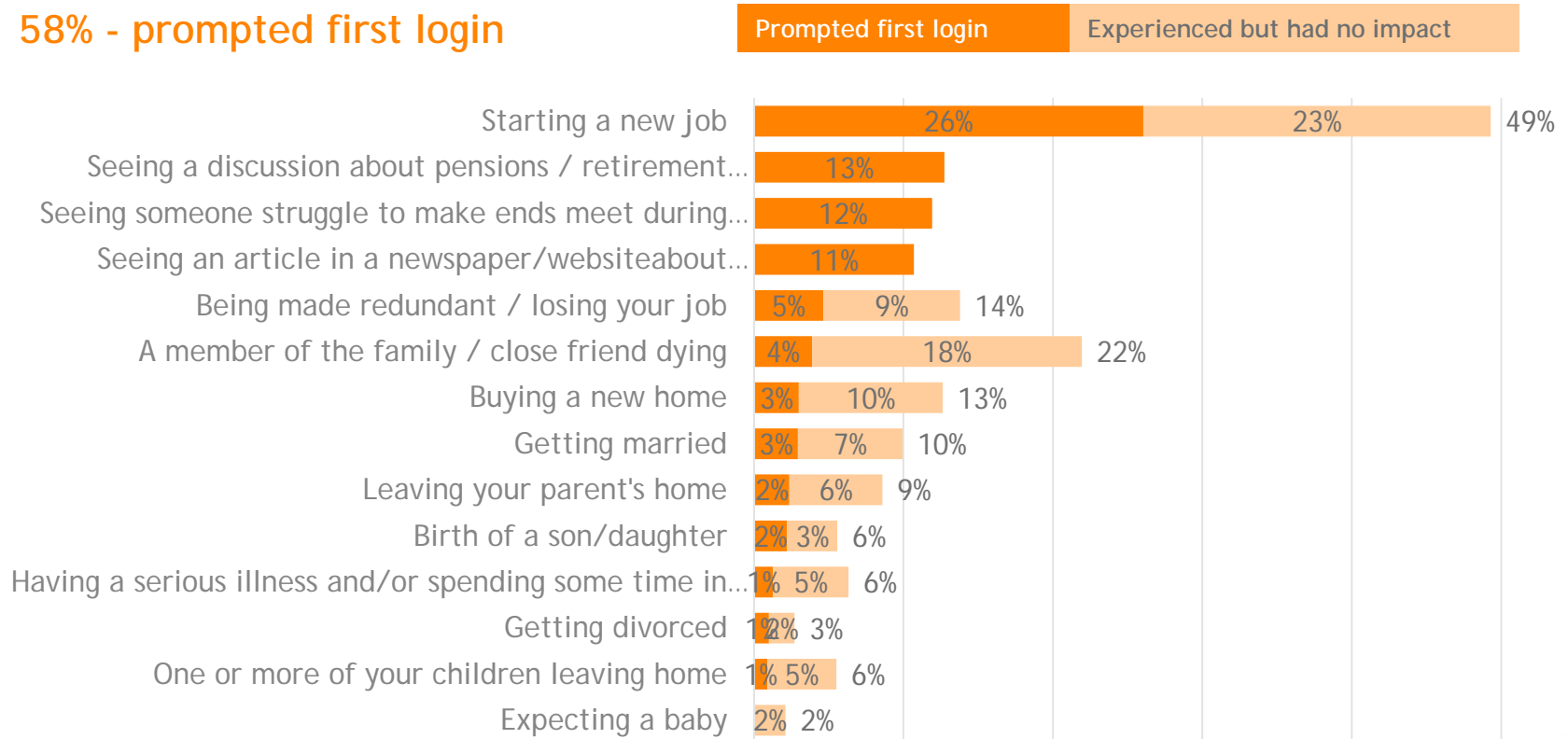


compared to



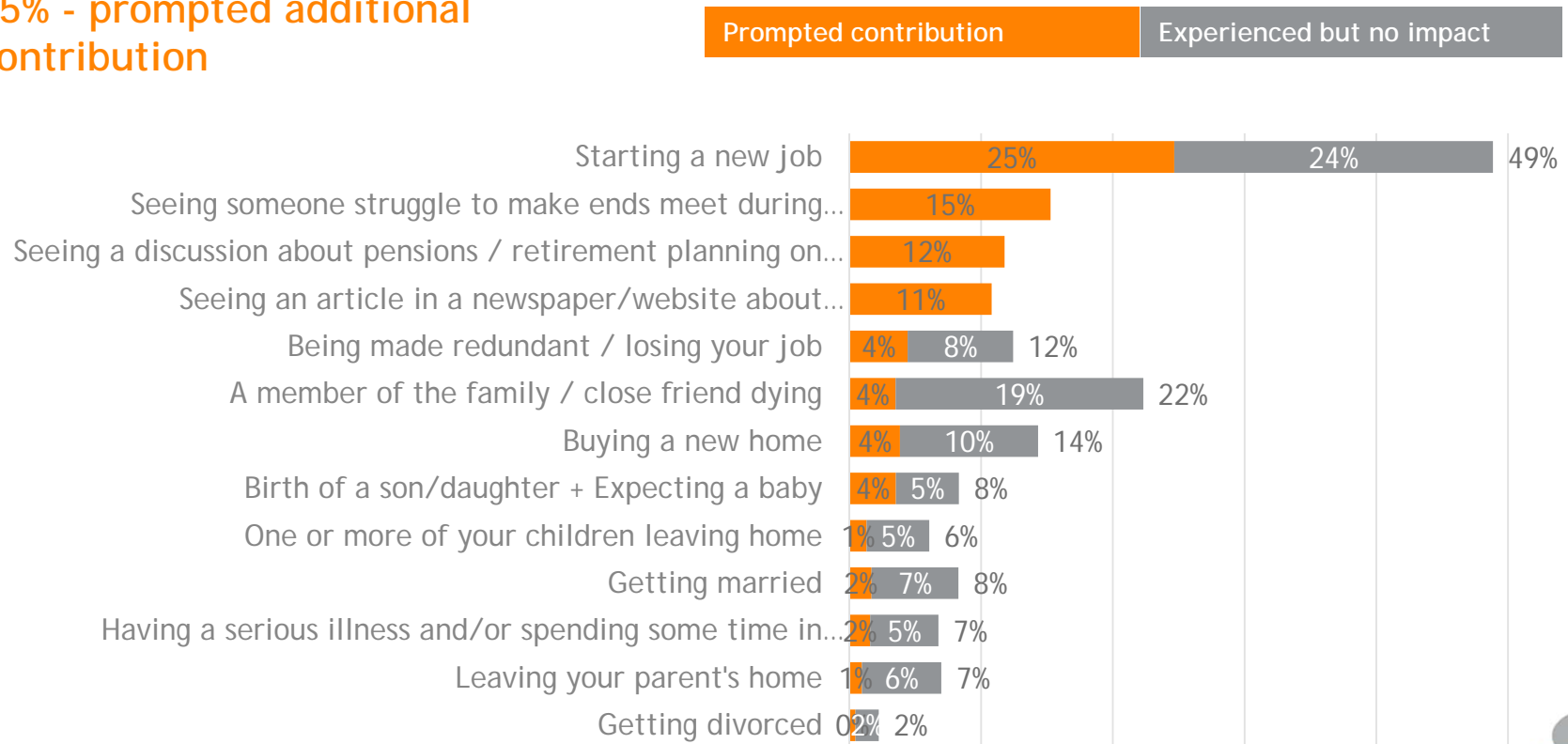
Life events - logging in

58% - prompted first login

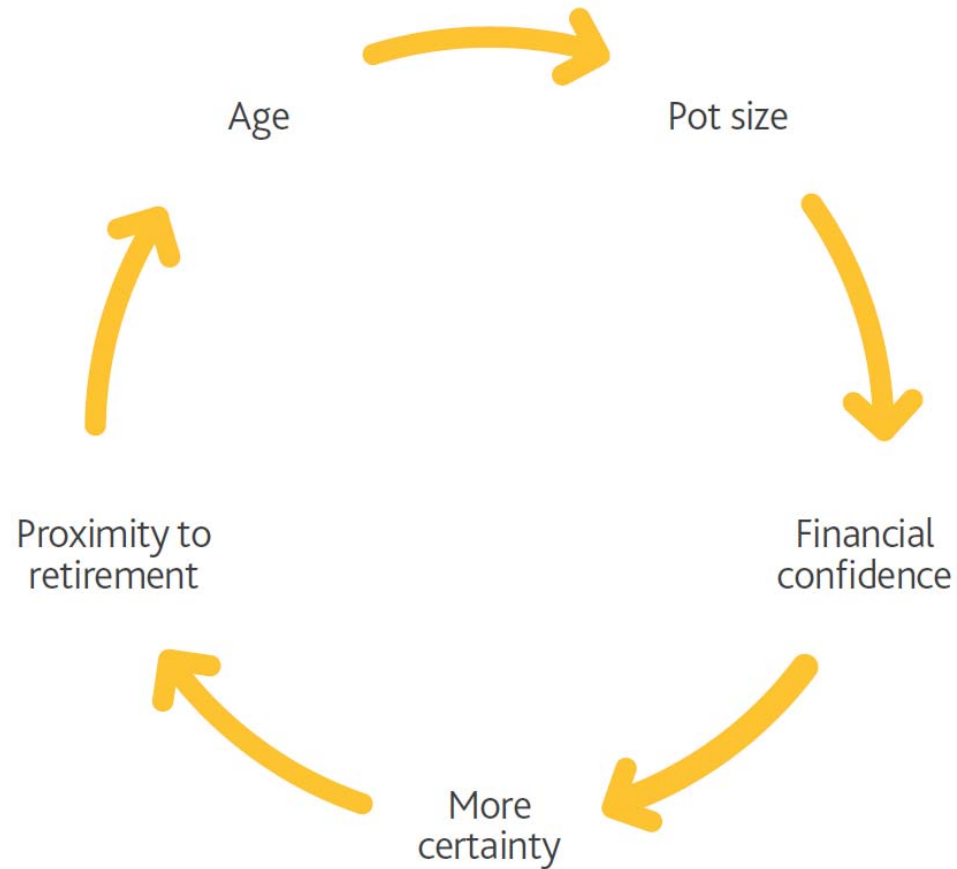


Life events - saving more

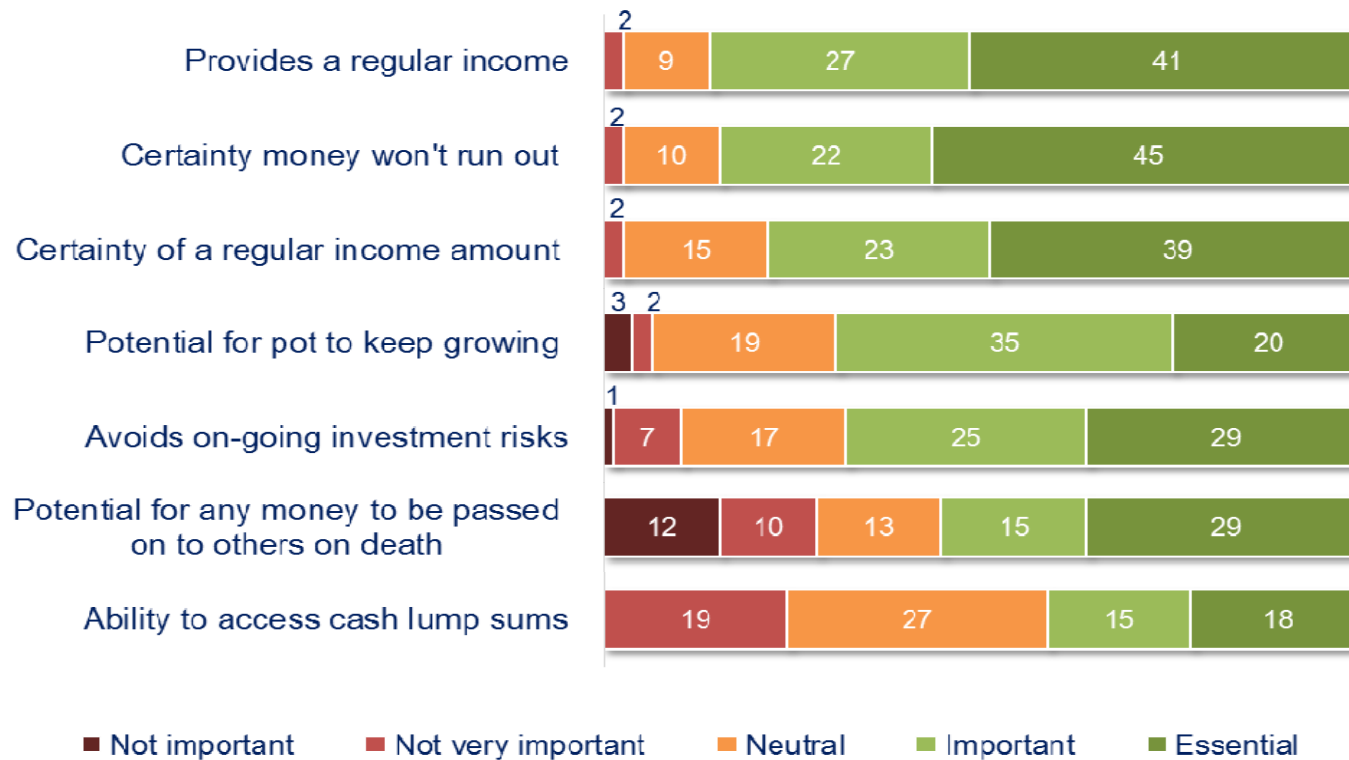
75% - prompted additional contribution



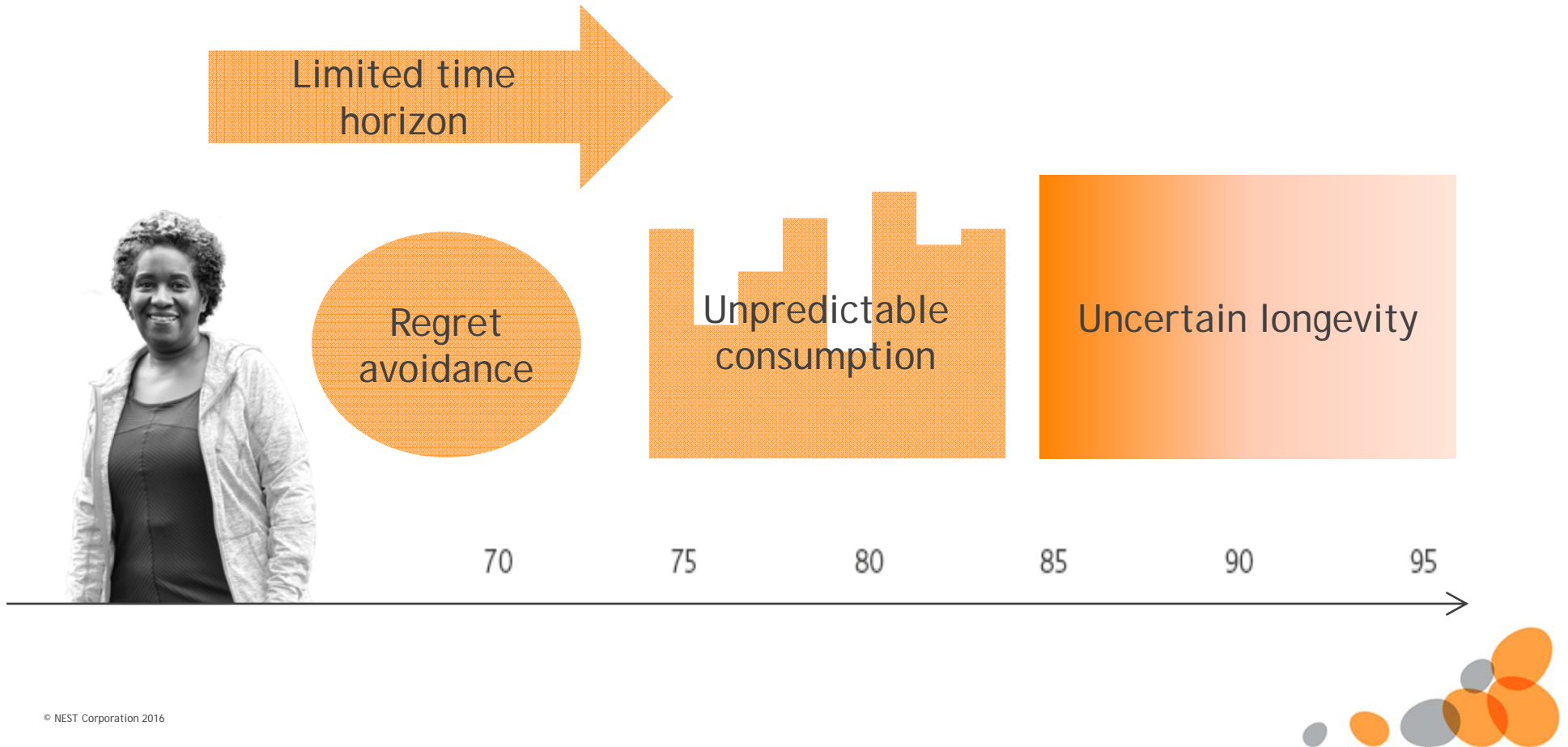
Are things different at retirement?



What people say they want at retirement



Why don't people choose a guaranteed income?



Key themes for NEST Insight

- Engagement
- Education and guidance
- Financial resilience and liquidity
- Longitudinal panel
- A/B testing



Thank you

