Please note: This is a transcription so there may be slight grammatical errors.

Hello, and welcome to Revamping Retirement, a podcast brought to you by CAPTRUST, where we explore the opportunities and challenges facing today's retirement plan sponsors and fiduciaries. Our hosts, Jennifer Doss and Scott Matheson, lead the employer-sponsored retirement plan practice at CAPTRUST, one of the largest registered investment advisors in the U.S. and the thought leader in the retirement plan advisory and consulting space. We hope you enjoy Revamping Retirement.

Jennifer Doss: [00:00:30] Hello, everyone, and welcome back to Revamping Retirement. I'm Jennifer Doss, and I'm joined by Scott Matheson today, and we have a very special guest, Debra Gates. Debra is a manager in our Advice and Wellness team here at CAPTRUST, and she spends a large amount of her time speaking directly with plan participants and helping plan sponsors create effective communication strategies for their participants. She recently held a webinar, talking about [00:01:00] participant communication best practices, which featured two of our financial advisors, Mike Webb and Barry Schmidt. She was obviously the star of the show. So we asked her to be on here. So we're going to talk a little bit about that content today. Just for background, Debra has been with CAPTRUST since 2017, and she brings with her over 20 years of industry experience. So Debra, thank you so much for joining us today.

Debra Gates: Absolutely. My pleasure. Thank you for having me.

Jennifer Doss: Yeah.

Scott Matheson: Hang on, because Jennifer, you and I talked about [00:01:30] this before. This is a relative performance thing for me, and we've just got to get this out here before we start in, because Debra is a bona fide actress—

Jennifer Doss: True.

Scott Matheson: And VO does voice work. She has a SAG card. So I just need to put that out there for all of our listeners, because this is going to look bad on me, so.

Jennifer Doss: I think we had to pay extra to get her on.

Scott Matheson: I thought you and I agreed. We weren't going to bring anybody on that talented, but…

Jennifer Doss: It's going [inaudible 00:01:58] [00:02:00]. Well, Debra, don't make us look too bad, but we do want to pick your brain. So we're going to talk about participant advice and wellness, specifically focusing on effective participant communication strategies. So again, a lot of what you talked about in your recent webinar. So just to level set for our audience and maybe get us started, why should participant communications matter to plan sponsors?

Debra Gates: I think that it should matter because, for plan sponsors, participants [00:02:30] look to their employees for advice—they look to them for answers. I don't know if employers really realize how they're deemed as the trusted resourceful advisor. And that's the first place that you go to, is easy access for a participant to get to their employer. And that's who they go to—to ask them questions about everything. And so they trust them. So I think that plan sponsors, I think [00:03:00] they feel that responsibility and they have an awareness of how important it is to provide communications to their employees so that … I know that they want their employees to make informed financial decisions, not just about their retirement, but about their overall financial well-being.

Scott Matheson: Yeah, that's great. And I couldn't agree with you more, and we've definitely seen, even certainly during your time in the industry, my time in the industry, Jennifer's seen an evolving landscape, or we'll [00:03:30] call it an evolving social contract between employers and employees increasingly, in the U.S. in particular, looking, honestly, a lot more like what we've seen out of Europe for decades now, which is a larger expectation from employees for their employer in terms of playing a role that is much more trusted advisor. So I like to use that language.

One of the other things that you and I have had numerous conversations about, and I know you're passionate about it, but I really feel like the emotional aspect [00:04:00] of investing and we'll call it overall financial wellness is that it continues to be an underappreciated part of creating and delivering effective communication in this area. And while this is not true for me or any of us on this call here—I'm kidding, but emotions do drive behavior.

And as we, Jennifer, and I, know from just a couple episodes ago, talking to Dr. Shlomo Benartzi driving the good behavior [00:04:30] is really what you're trying to do in that role of trusted plan sponsor or trusted advisor, if you will, of the plan sponsor, ultimately to get people on track for retirement and then in challenging marketing conditions like now, keep them on that path. So, to that end, I'm curious what kind of communication strategies you're seeing from plan sponsors and then maybe just if there are some that are more effective than others in terms of timing, method—love to hear that.

Debra Gates: So I [00:05:00] think that when we start talking about emotions, I think when there's an occurrence, when there's something extraordinary that's happened, I think it amplifies the importance of having participant communication. And I think that's when … it's really important to speak to the emotions that obviously come up when there is an occurrence. I mean, when things are going smoothly, you're not really thinking about [00:05:30] your retirement or planning for your retirement consistently, but when something happens like a major event, like market volatility, like we went through with COVID, and we have to say something about COVID because I think that's when everybody really started to look at the emotional side of participant behavior, is when those kinds of things happen.

I think that it's important for plan [00:06:00] sponsors to make sure they're meeting that need for participants when you're looking at the emotional side of that. And so, you want to look at the whole employee. I think that the plan sponsors need to look at the entire financial frame of that participant and not just think about their retirement. I mean, I think with COVID, what COVID brought out [00:06:30] was to make sure people were having financial problems and financial roles, and it was outside of what they were putting inside of their plan. So I think that it's just important for plan sponsors to reach out and to recognize that and to respond to that and communicate to that.

Scott Matheson: Yeah, so true. And the work-life balance went out the … our work-home line [00:07:00] certainly went out the window quickly for so many people in that COVID era. And you started to see a lot of those, that intersection or the collision between those two lives come together. And I love that advice to plan sponsors, really, just thinking about the whole person. Very good. But I am curious, though, how much in your view do you think that some of those tactics and strategies that we see work differ based upon where participants are in their, I'm going to call it, retirement [00:07:30] journey. We'll call it starting from just getting into the accumulation phase to maybe the retirement red zone as we're nearing that retirement or these days, even in decumulation, just because we've seen more participants in recent years on the whole staying in plan post retirement. We've been calling them, around here, retiree participants. So just curious if that means plan sponsors need to rethink some of their communication strategies because of that phenomenon or just the life cycle [00:08:00] of a participant on the balance?

Debra Gates: Absolutely, because if you're young, one of the biggest concerns when someone is young likely is how they're going to maintain a comfortable lifestyle after retirement. It's critical to understand those two stages and the two stages of accumulation and decumulation. They are not dichotomous. They actually work together. They're contingent [00:08:30] upon each other. And so the way that savings happens and accumulation and communicating to participants to put money aside for retirement, doing that, that's a start of the accumulation stage. The accumulation stage only ends when you actually retire. So it's important to make sure to encourage participants to set aside as much as they can. This accumulation phase is when you're building up your earnings, your [00:09:00] contributions. It's allowing you to build up those assets to save and invest efficiently over time, and the way that you save and the way that you accumulate is going to determine how you're going to live in your time of retirement.

It's going to be determined by the amount of money that you saved, the investments that you've made, the assets that you've accumulated during that accumulation phase. So younger investors, [00:09:30] retirement may not be at top of mind. So sometimes I think we have to kind of, when we're looking with younger investors, retire the word retire and spend more time on financial wellness and how you want to live in your retirement. So I think that's the better question, and that's something that you can aim for when you're a younger investor. When you're getting closer to your time of retirement, you want to know that you're going to have enough money to take you throughout your years of retirement, optimize [00:10:00] the benefits that you have.

Jennifer Doss: And Debra, what about folks with … we're talking about how to be more effective with communication strategies, to target certain individuals or to get in front of them what's important to them. And so, what about different backgrounds? So Scott and I talked to Rosalyn Brown, equity, diversity, and inclusion director for the WE Inspire. Promote. Network, a [00:10:30] few episodes ago at this point. And she talked about at the time—which really stuck with me—how different retirement can look like to people from different racial and or ethnic backgrounds. I mean the classic people at the end of a dock with a boat in the background is not necessarily what says retirement to a lot of people. And so how a small thing like how you set the tone for a conversation by having that as your picture on communications, again, can really send you down, start you out [00:11:00] on a bad foot. So do you see that in practice when you work with participants?

Debra Gates: Absolutely. And what I've seen more is that people want to see a little bit more diversity. They want to see something that looks like them. They want to be able to identify even with just pictures and just with images, they want to be able to identify with that. And so it's really very important to [00:11:30] be cognizant of the culture of your employees, when you're putting that information out there and when you're putting images out there. So you want to make sure that it aligns. So, want to make sure that you have women, you want to make sure that you have different ethnicities when you're looking at the images that are there when you're communicating. You want to meet people where they are. [00:12:00] Finances and communicating with your employees—sometimes that can be a little bit overwhelming because there are just so many different things that you have to consider, but you want to make sure that you're meeting the needs and you're reaching all of the people.

Jennifer Doss: And so that brings up the concept of more personalized communications—or targeted communications is I think really what we're getting at here. And those are two maybe buzzwords that are being thrown around quite a bit in conversation recently. [00:12:30] So maybe just briefly explain what they are and maybe how plan sponsors can utilize them to do some of these things that we're talking about.

Debra Gates: So when you're looking at segmenting, it depends on what your goal is. And So, if you are looking to segment and reach people that are over 50, that's a separate type of communication that you want to send out than if you're trying to reach people who are in their 20s or are in their 30s. So, in segmenting [00:13:00] out the population as to who you're trying to reach, if you're doing a campaign and you're doing a campaign where you want to get contributions increased, it just depends on what you're trying to segment. You just want to make sure that you're very clear and that you're very concise in what you're doing.

Jennifer Doss: And I think that personalized communications have been pretty effective from some of the numbers I've seen in terms of … people just love seeing [00:13:30] their name, right? To your point of people seeing others who look like them. They like identifying with pictures and words that they see. I mean, they certainly like seeing their name, and they certainly like seeing specifics about how it can help them specifically. So I think this idea of being able to personalize a communication as well is getting really, really good and something that a lot of plan sponsors are looking into. So. Okay. Thank you. We are going to take a quick break, Debra, for our Minute with Mike, with Mike Webb, and he's going to talk about grandfathering plan design [00:14:00] features, and then we will be back with you, with Debra, to continue our conversation. So take it away, Mike,

Mike Webb: Thanks, Jennifer, and Scott. Mike Webb here with another Minute with Mike. In this month's minute, we'll discuss grandfathering and why it could be a potential problem for retirement plan sponsors. Grandfathering is the practice of changing a retirement plan design feature, but allowing a group of employees, usually existing employees, to keep the old feature. Often, the non-grandfathered group consists of new hires. If you're a plan [00:14:30] sponsor, you may have thought through a few scenarios regarding grandfathering. Implementing auto-enrollment, for example, won't disrupt existing employees and will only auto-enroll new ones. Reducing employer contributions? Well then, grandfather existing employees into the old formula. Changing a plan investment? Let employees keep their existing money where it is and only redirect future contributions. However, when plan sponsors attempt to soften a blow like in these scenarios, they often regret it, whether it be immediately or over time. Here's why grandfathering [00:15:00] could cause problems.

Now, first of all, new hires eventually find out. In the area of benefits, there are generally no secrets. Secondly, existing employees may get the short end of the stick. For example, when automatic enrollment was first introduced, those few employers that rolled it out to everyone were rewarded with retirement-ready employees across the board. Employers that rolled it out only to new hires found out that their existing employees, who are now approaching retirement, have worse retirement [00:15:30] readiness figures due to missing the power of compounding in their earlier years. Number three, there could be compliance issues. The IRS tends to like treating employees equally and structures its rules accordingly. For plans subject to nondiscrimination testing requirements—which is most plans—grandfathering employees often results in the failure of these tests, which is not a good thing. Even worse, the testing failures often do not occur right away, lulling plan sponsors into a false sense of security until the grandfather group becomes disproportionately [00:16:00] highly compensated.

There are some circumstances where it could make sense to grandfather employees. For example, reducing a plan's outstanding loan policy when there are participants with balances, because obviously if you're a principal with a lot of loans, and we restricted to, say, one or two, you'd have to pay them all off at once if we didn't grandfather those employees. But for the most part, it's best to rip off the Band-Aid and make a change to the entire plan. For Revamping Retirement, I'm Mike Webb, and this has been your Minute with Mike. Now back [00:16:30] to Jennifer and Scott.

Scott Matheson: All right, thanks as always, Mike, and welcome back, everyone. We're talking today to one of our colleagues here, Debra Gates, who is a leader in our Advice and Wellness team here at CAPTRUST, regarding effective participant communications. Debra, so far, you have covered why it's important to have an effective participant communication program. You talked a little bit about the different mediums used to communicate and also talked about how that may differ among participants who are either just starting in on their [00:17:00] journey toward retirement or those who are closer to retirement. And then we also talked about a really critical issue as we were going to break with Mike there, of how we need to be really more focused on the culture of the employees and the differences—down to even racial and ethnic background differences—of the employees we're communicating with so that we can relate and make the advice or communications to them relevant.

So now I just wanted to switch a little bit and talk more about some of the best practices related to participant communication. [00:17:30] and I wonder if you can share some of those that you've seen, some of what you've seen work with our plan sponsors listening in here today.

Debra Gates: So what I found is that what works best is when employers know their employees and they know how to reach them, they know how they respond. So webinars, posters, sometimes lunch and learns are really [00:18:00] effective ways to communicate. Direct communication from the advice providers—all of those are wonderful ways to communicate. Short videos are very effective things that when you're communicating to your participants, something that they can get to easily. So a short video, they can watch that on their phone, on their smartphone. So all of those are really effective ways to reach out to participants and [00:18:30] get them to engage in whatever you want them to engage in.

Jennifer Doss: So on the flip side, Debra, those are a couple of things that will work really well. And thank you for that. Are there certain things that plan sponsors, as they're thinking about building a communication strategy for their participants, should avoid from that perspective?

Debra Gates: So you don't want to overemphasize the negative. You want to provide honest information. You want to make sure that you're leaving people [00:19:00] with hope and positivity. So if there is something happening … so the volatile markets, you don't want to amplify that or exaggerate that and make that bigger than life. You want to give them a solution to that. You don't want to be too technical in communications. Keep it simple. And if you're going to do surveys, and if you're going to ask for feedback, use the data that you receive. Don't ignore it because [00:19:30] if you ignore it, then the next time you send out a survey, they're not going to respond because they're going to say, "Well, they're not doing anything with the information anyway."

Scott Matheson: Man, those were just some pure gems in there. I mean, that's some good stuff because we know that the only thing worse than asking for feedback is not acting on feedback or at least acknowledging that feedback. And then you came back to where we started in a market environment, like we're in economic uncertainty, like [00:20:00] your job is to create perspective and calm nerves and really control a lot of the beliefs to eliminate emotions because those emotions, as we'd started out, obviously affect decision making. So really nicely done there.

Jennifer Doss: Well, I think there's also a call to action. I mean, we talk about that a lot when we talk to participants, which is, "Okay, well, you've given me some information. What should I do with this information?” So I think it’s also, like you said, Debra, having a … “Well, okay, what should I do? [00:20:30] Can I call? Should I talk to somebody? Should I go in? Should I do that?” I think that’s the next step, which is you really want to make sure that they feel like they can take action and they can control some part of the situation.

Debra Gates: Absolutely.

Jennifer Doss: And that call to action is pretty critical.

Debra Gates: Absolutely, because we do that. I mean, from my experience with the communication pieces that we send out, we have that one call to action. And that one call to action is to call us because we want to talk to participants. We want to communicate [00:21:00] with them. We want to make sure that they’re getting their questions answered. So it’s really very important that you give some hope and you give a solution.

Scott Matheson: Yeah. All right. Let’s assume that plan sponsors followed all the best practices, avoided all the pitfalls. Let’s talk about how you can effectively measure a communication strategy, or maybe how do you measure if it is effective or not?

Debra Gates: So it depends on what you’re communicating. [00:21:30] If there is a specific campaign, let’s just say, if we’re looking at retirement savings. So, if you want to increase retirement savings, you want those contribution rates, then you would know if it was effective, if contributions were increased. And so there, you would reach out to your record keeper, and you would see what were contribution rates at this particular date? And then you’d look at, after the campaign was finished, what [00:22:00] are the contribution rates at this point? So that’s something measurable. You can see if that has actually taken place.

You can also see if you have the capability to see the number of clicks that they open up the email. So if that’s the way that you can measure to see if things have changed if people are feeling more comfortable. And here again, that’s where you might want to reach out with the survey to say, “How do you feel about your retirement savings?” Or, “How do you feel about whatever this campaign [00:22:30] is that you’re doing?” And get the results from that.

Scott Matheson: Well, great advice, as always. It is very evident to me that Jennifer has brought you onto the show here today to effectively interview you for my job. She wants me out of here. So, I’ll save the hardest question for last, which is: Do you accept?

Jennifer Doss: I would love to work with you, Debra.

Debra Gates: And I would love to work with you too, Jennifer.

Scott Matheson: Yeah. Well, we’ll definitely have you back, [00:23:00] that’s for sure. All right. In all seriousness, so you know we like to ask all of our guests the same question at the end, which is the hard one. And that is: What does retirement look like for you, Debra Gates?

Debra Gates: When I think about retirement, I don't think about it in the conventional sense of retiring from something. I look at it in terms of retiring to something. And so I'm always looking for the next [00:23:30] thing, and I just kind of guide my life. What is the next chapter? And so to prepare for that next chapter of my life. And I think I'm more—at this point in my life, I think I'm more concerned about the psychological aspects of retirement, making that adjustment from working for as long as I've worked and now to go to retiring to something else [00:24:00] and what that something else will be.

So looking forward to the next chapter. Doing all that I can to prepare. So making those preparations financially, but it's the psychological part and the health part. And to make sure while I'm at this stage, kind of in my accumulation phase of health and making sure that I remain healthy. And so it's about looking at the quality of life in your time of retirement. So quality of life, your physical health, [00:24:30] and thinking about the psychological aspects of it. So it's really on a continuum. And what am I retiring to?

Jennifer Doss: Yeah, that's great. I love the way people think about their retirement. Again, it's so different, which is why we ask everybody. So thank you so much, Debra, for joining us today. And it seems like you may be taking Scott's job. So maybe we'll be seeing more of you. I'm just kidding.

Scott Matheson: So lucky.

Jennifer Doss: But no, seriously, it was great having you today. Thank you so much. Again, I think the [00:25:00] fact that you interact directly with participants so often every day, it just really helps that perspective for you to deliver that. And really, again, you get a lot of satisfaction, and I know this from talking to you all the time. I mean, you get a ton of satisfaction from seeing the actual people who we're all here to help every day and helping them on their retirement journey, helping them get from point A to point B, which is so critical.

We appreciate all the work that you do, certainly with the individuals who we know you work with and with plan sponsors. And I know they do as well. [00:25:30] So, for our listeners, please don't forget to like and subscribe to wherever you get your favorite podcast, and certainly leave us feedback or suggestions for future content. And we have referenced a webinar a couple of times that Debra was on, but you can access that webinar at www.captrust.com, and we will see you next time on Revamping Retirement.