

Game on:

the potential for gamification in pensions



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How can pension schemes help to keep future generations prioritising pensions? David Bird gives an insight on gamification techniques that can be used to attract millennials to save towards, and appreciate, their pension.

Millennials, whether fair or not, do not have a great reputation. This group of people – born sometime between 1980 and 2000 – are, according to some, lazy, entitled, narcissistic and more interested in their smartphones than human interaction. Yet, others praise their work ethic and argue that businesses need to recognise their potential.

Mixed perceptions of this ‘Me Me Me Generation’ continue when it comes to their finances. According to a recent report by Merrill Edge¹, millennials are saving, but for different reasons than their parents. They save to live

their desired lifestyle rather than to leave the workforce. They are less interested in getting married and becoming parents than older generations, but more desirous of working their dream job and travelling the world. For millennials, short-term goals are much more important than worrying about the future.

Relatability is an issue. The pensions industry is not considered ‘hip’ and as such, many young people fail to connect to the industry, too easily distracted by other ways to spend their money.

This wariness is compounded by high student debt, house price rises and the fact that young adults today earn significantly less than their counterparts in past decades.

But as the millennial generation comes of age, how should employers’ pension schemes react in order to attract and retain some of their most valuable employees and help them get a better outcome?

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It’s game time

Gamification, defined as “the process of adding games or gamelike elements to something (such as a task) so as to encourage participation” is one way for pension schemes to engage and educate future savers.

Consciously or not, many of us have probably encountered gamification techniques in various guises throughout our daily lives, from

walking that bit further to reach our Fitbit reward, to moving up levels on retail or airline loyalty programs.

Gamification principles are not restricted to recreational activities; tangible business problems have also been tackled using this approach, for example, improving security awareness by improving employees’ filtering of phishing emails. But, how

does this relate to personal savings? What specific techniques can be adopted to make pensions more appealing to the younger generation?

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¹ https://olui2.fs.ml.com/Publish/Content/application/pdf/GWMOL/Merrill_Edge_Report_Spring_2017.pdf

The potential impact of gamification

Encourage saving

To attract millennials, you must be able to demonstrate the potential reward as well as the risks of investing, for example, allowing potential investors to learn about saving through fun, game-like processes rather than overwhelming them with technical details and phrases.

By providing no-risk educational tools prior to making real decisions, millennials are encouraged to engage with their savings.

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In addition, there is a knowledge gap when it comes to financial terminology, so any communication must be simple, relatable and most importantly personalised.



Figure 1. Investment checklist

Reinforce positive behaviour

In an age where lives can be managed on smartphones, few younger savers appreciate filling in lengthy application forms, with no immediate gratification, in order to make a change to their saving habits.

Moving to an online platform where decisions can be made online alongside a progress tracker, to identify what other decisions can be made, helps members understand their options.

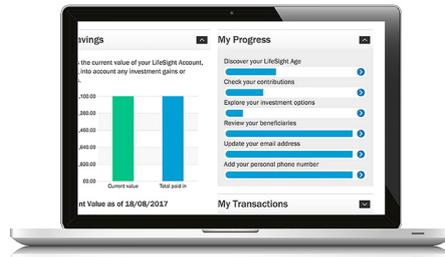


Figure 2. Progress Tracker

Setting up such technology doesn't just help savers; schemes can also use this information to better understand their 'consumer' and encourage engagement with areas on the member site that haven't been looked at in a while.

Overcoming the savings paralysis

We often see many scheme members struggling to understand the relevance to them of pension saving. There is a general mentality, particularly for millennials, that it is all so far away and something for other people to worry about. However, everyone knows people who are retired or nearing retirement, so whilst they might not 'get' the idea of saving an amount for some remote future, they definitely don't want to work forever.

Most will be intrigued about when they are likely to be able to stop working, so it is important to give individuals access to personalised tools to help bring this to life, for example, a tool that gives members a result with a human metric, which is easy to understand. In LifeSight, that metric – the age when you can afford to retire – can be made more accurate and personal by inputting data about past savings, as well as by varying the approach to investment strategy and contributions.



Figure 3. LifeSight's ageOmeter tool in action

Game on

We know that helping millennials build a good retirement income is going to be a long and tough road. The pensions industry will need to learn how best to help millennials on their journey as much as millennials themselves will need to learn about how best to save for retirement. Understanding how employees engage with online tools, and getting feedback from members about what they like and don't like, is an integral part of this process, so that schemes can keep meeting the needs of their members and ensure they have a positive savings journey.

The potential of gamification is significant when it comes to both raising the profile of pension saving for the younger generation and making it more attractive in the process. Whilst it may require a change of mindset, it is an essential step-change to ensure better retirement outcomes for savers, and the success of the pensions industry as a whole.

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LifeSight harnesses the best of Willis Towers Watson's established administration capabilities, with a fresh engagement proposition.