

# Personalization

Targeted experiences can drive behavioral change and improve retirement outcomes.



Data show that, for plan participants, personalized experiences can help drive behavioral change and improve retirement outcomes. We discussed retirement income under our first theme, a very personal experience—given different needs and preferences—that requires a personalized solution. But personalization is not limited to products. It also includes services and communications, which intersect with financial wellness.

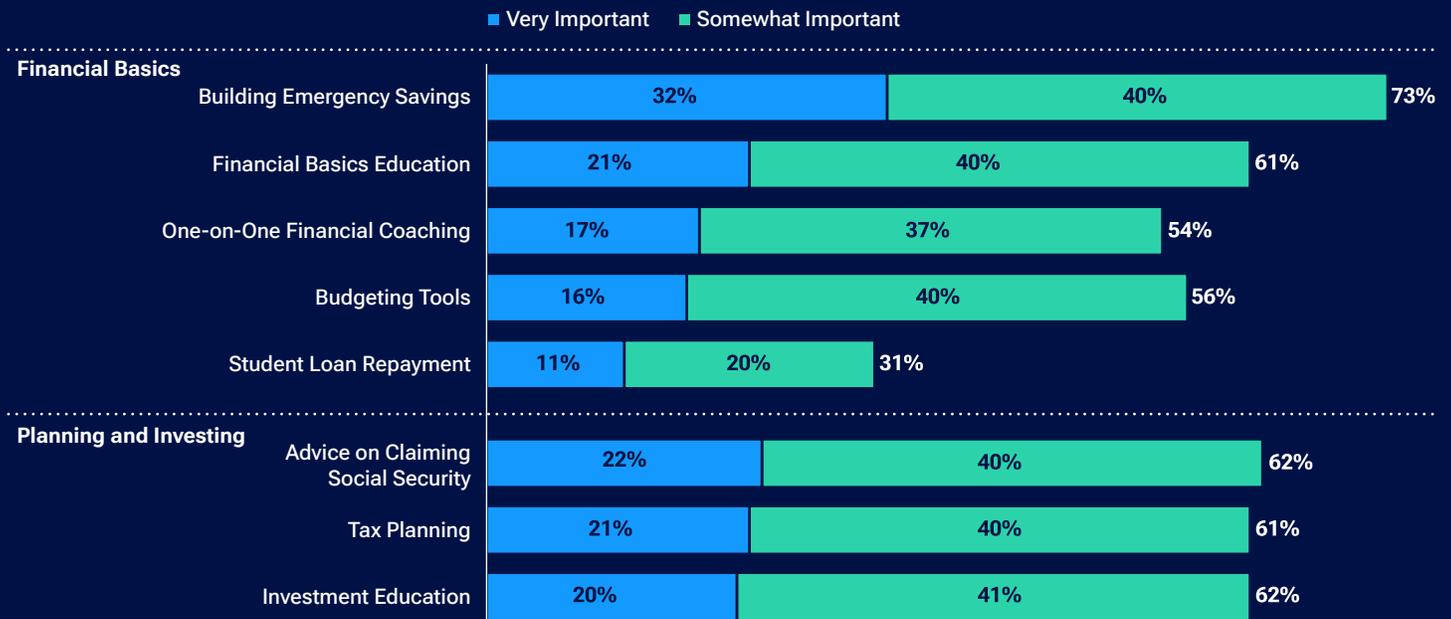
Throughout their working years, participants may face challenges as they aim to save for retirement while also balancing day-to-day household finances and juggling competing

financial goals. These include repaying student loans or other debt, starting a family, purchasing a home, or saving for a child's education, among others. Our research has shown that access to workplace financial wellness programs and services that can help them manage these priorities is important to participants (Figure 1).

As employees continue to express interest in financial wellness programs, plan sponsors and their consultants and advisors have taken notice. Offering comprehensive and tailored experiences that can help workers navigate both their short-term and long-term financial goals could be impactful.

## Participants need help with financial basics, planning, and investing

(Fig. 1) Importance of workplace financial solutions to participants.



Source: T. Rowe Price Retirement Savings and Spending Study, 2022. Numbers may not total due to rounding.

## Strong demand in an evolving landscape

Employee populations are typically diverse, and needs often vary across generations and various participant demographics. An analysis of plan data can help plan sponsors identify vulnerable populations who are disproportionately affected by financial stressors. This analysis can then drive plan design decisions as well as communication or engagement strategies that tailor financial wellness offerings to meet these employees' needs.

The workforce currently consists of four generations, each with different financial priorities. Based on our research, Gen Z and millennials attach more importance to the availability of financial education, products, and services through their employer than older generations, especially baby boomers (Figure 2). Meanwhile, younger baby boomers and older Gen Xers who are nearing retirement might benefit from personalized communications and services on topics

such as catch-up contributions, claiming Social Security, and tax-aware retirement income planning, among others.

Personalized and targeted communications can impact outcomes. For example, leveraging our recordkeeping data, T. Rowe Price creates informed videos to motivate participants and help drive action. According to our 2023 Reference Point report, which benchmarks large retirement plans on our recordkeeping platform, participants who watched these videos were twice as likely as others to increase their deferral rates and add or update their account beneficiaries.

Personalized communications and services should be relevant and align with targeted audiences. We have found that the evolution of our services for Spanish-speaking participants over the years—from translating communications to providing educational meetings in Spanish, and now providing a Spanish portal that tailors content and incorporates cultural preferences—has increased

activity. An analysis of digital engagement data outlined in our Participants Reactions to Jobs and the Economy report shows that 8.6% of visitors to our Spanish retirement plan portal in the second quarter of 2023 completed an action compared with 4.6% of visitors who did not visit the portal.

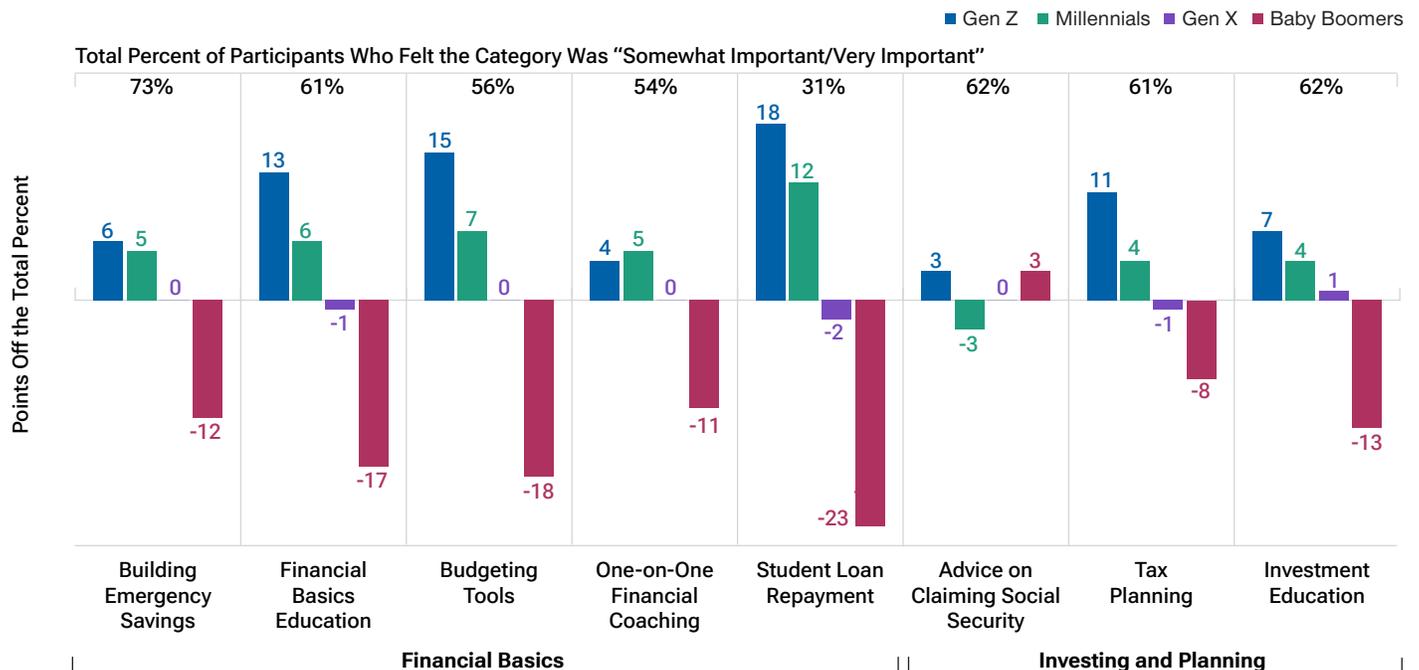
## What's next?

More and more, participants need help sorting out options that best fit their individual situations across all stages of the retirement journey. How do I balance saving versus paying down debt? How much should I contribute? Should I make Roth or pretax contributions? Should I invest on my own or use default investments? At what age should I claim Social Security? How do I draw down my assets? The list goes on.

In the past, addressing these concerns on an individual basis would require an expensive one-on-one consultation with a financial professional.

## Younger generations expect more help with financial wellness from employers

(Fig. 2) Importance of workplace financial solutions to participants.



Source: T. Rowe Price Retirement Savings and Spending Study, 2022.

However, ongoing advances in technology are starting to allow a cost-effective delivery of sophisticated and personalized solutions.

These advancements have resulted in partnerships with fintech companies that are expected to accelerate as DC providers seek to differentiate their services and provide integrated and streamlined solutions to their clients. For example, to complement our current retirement capabilities, T. Rowe Price recently purchased a fintech firm that offers innovative personalized retirement income planning software.

Our assessment about the growth-potential of financial wellness solutions is shared by consultants and plan advisors as well. In our 2023 DC Consultant Study, financial wellness programs were identified as the top area for future growth in non-investment services among consultants. Many are planning to provide full proprietary financial wellness solutions for their clients. We expect plan sponsors to adopt these solutions and offer them to their participants as well.

A growing emphasis on personalization and holistic financial wellness services is also being reflected in the investment solutions offered to retirement plan participants. While target date strategies remain the most prevalent default vehicle that benefits millions of Americans investing for retirement, some participants are seeking more personalized solutions as they move closer to, and through retirement.

As a result, employers and financial professionals are increasingly offering investment advice to plan participants in the form of personalized managed portfolios that also consider an individual's circumstances beyond age, such as other savings and investments they might have, debt, spousal savings, etc. We expect demand to likely grow for these individualized investment advice and professional portfolio management solutions.

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### Considerations for plan sponsors, consultants, and advisors

#### Access to data enables personalization:

Employees grapple with a range of factors that impact their ability to save for retirement. Having access to participant-level data can help recordkeepers, consultants, and advisors unmask hidden distortions within averages and offer relevant services to participants. Being open to data connectivity, especially for partnerships with fintech firms that offer personalized products and services, could also provide opportunities for enhanced integrated solutions.

#### Personalized solutions help keep assets in plan:

Many employers express a preference to keep retiring participants in plan. Employers enjoy a unique trust, but to retain participants after retirement, they may need to offer personalized solutions that are otherwise only available in the retail market.



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#### Find informal forums for more open

**conversations:** Employers can use less formal settings to foster discussions about personal financial struggles or needs. For example, employee forums, such as business resource groups, formed around employees' personal identity or interests, can drive more personal discussions. This can often give employers ideas about what their employees are struggling with and how to help them. Having retirement preparation conversations in these settings could be very useful as some participants may be more likely to engage and act if they can relate to the messenger.

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**Investment Risks:**

The principal value of **target date strategies** is not guaranteed at any time, including at or after the target date, which is the approximate year an investor plans to retire. These products typically invest in a broad range of underlying mutual funds that include asset classes such as stocks, bonds, and short-term investments and are subject to the risks of different areas of the market. A substantial allocation to equities both prior to and after the target date can result in greater volatility over short term horizons. In addition, the objectives of target date funds typically change over time to become more conservative.

**Personalized solutions** are subject to risks including possible loss of principal. There is no assurance that any investment objective will be met.

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