

Nudge or engage?

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What is NEST Insight?



- An **in-house research unit** set up by NEST to help address the challenges facing NEST members and the new generation of defined contribution savers
- **Working in partnership** with global academics, policy makers and industry
- **Funding** from grants and sponsorship

DC pensions: myth and reality



Participation



Contributions



Engagement



Consolidation



Human biases



Rewards today



Unhealthy lifestyle



Spending more money



Rewards tomorrow



Good health



Higher future income



Educate or nudge?

The 'old' way - informed choice

The challenge

Low financial literacy
Asymmetries of information

The solution

Education and information
create active consumers

The 'new' way - behavioural finance

The challenge

Behavioural biases

The solution

Nudges use these
biases for the 'good'

Auto enrolment in the UK



Before auto enrolment

Employee:

Do nothing
Don't save
= save

Employer:

Choose whether
to contribute
Must contribute

NEST:

Doesn't support
lower earners
Designed for everyone



Savings for
the minority



The story so far

Over

9m

people enrolled

NEST has over

6.4m

members

and over

£2.6bn

AUM

8%

opt-out rate

77%

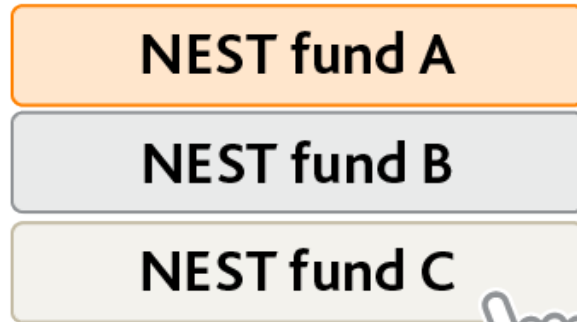
think it's a good idea



Inertia



13%



<1%



<1%

Scale

117,900
employers

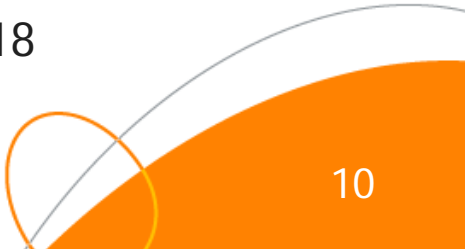
445,100
employers

824,500
employers

2015/16

2016/17

2017/18





The challenge ahead

Barriers and opportunities for engagement

What is engagement?

Positive attitudes

Make a plan

Register online

Contribute more

Sense of security

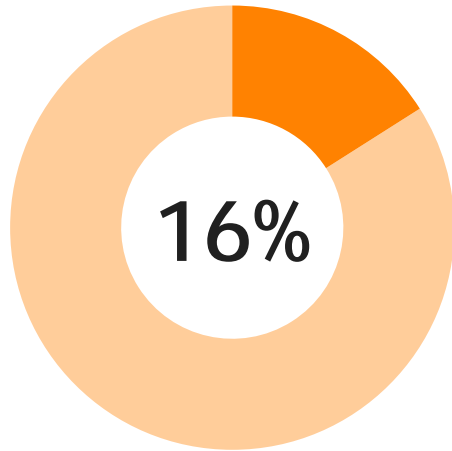
Switch investments

Check account balance

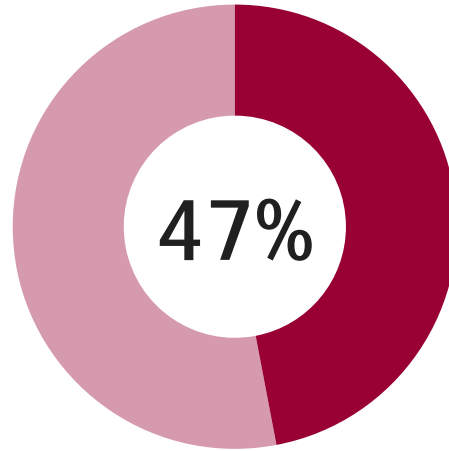
Be aware



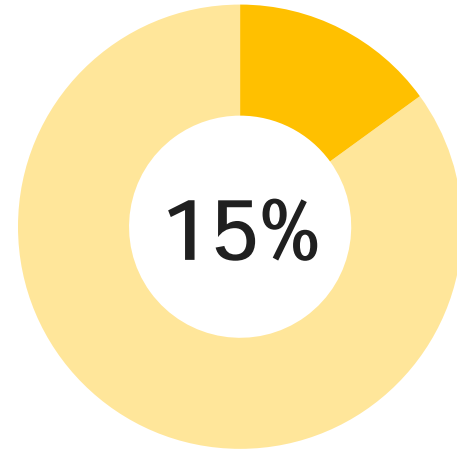
Barriers



of auto-enrolled
feel more
comfortable



are afraid of
making a mistake

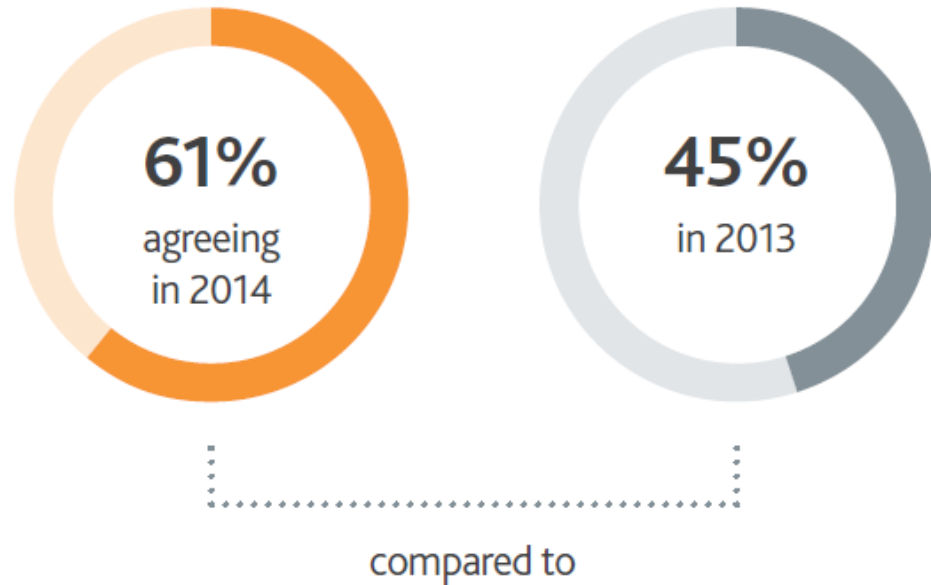


feel they know
enough

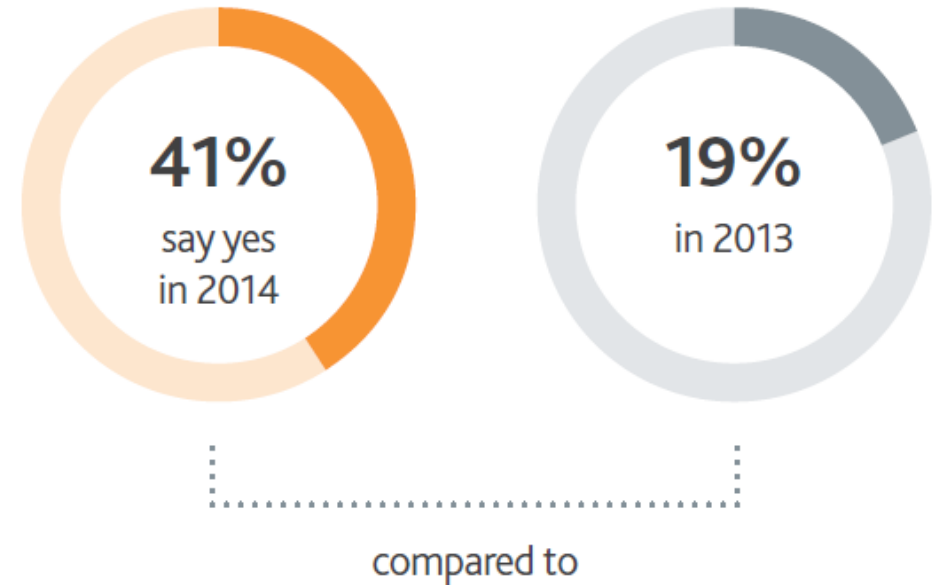
NEST Consumer Tracker 2016

Normalisation

Is automatic enrolment a good idea?



Will you stay enrolled next time?



NEST Consumer Tracker 2013-2014 (former opters-out)

Language



Relevance

You'll still want dancing shoes when you're 70.

Nights out won't stop when you retire, and neither will the other good things in life. From October the government is introducing new pension rights at work. Millions of people like you will be automatically enrolled into a workplace pension like NEST. When they contribute, their employer and, usually the government, will contribute too. NEST can be used by any employer, so look out for us. nestpensions.org.uk



Tomorrow is worth saving for.

Lifelong football fan? That might be longer than you think.

You won't stop loving your club, or any of the other good things in life when you retire. From October the government is introducing new pension rights at work. Millions of people like you will be automatically enrolled into a workplace pension like NEST. When they contribute, their employer and, usually the government, will contribute too. NEST can be used by any employer, so look out for us. nestpensions.org.uk



Tomorrow is worth saving for.

Choices

Strong defaults



Single year target date funds

Limited options

NEST Sharia
Fund

NEST Higher Risk
Fund

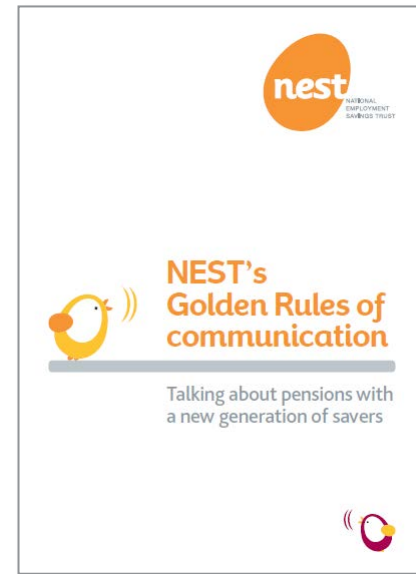
NEST Ethical
Fund

NEST Lower
Growth Fund

NEST Pre-
retirement Fund

Our golden rules

- 1 Keep it real
- 2 Rights not responsibility
- 3 Out with the old
- 4 One for all
- 5 Tell it like it is
- 6 Give people control
(even if they don't use it)
- 7 Take people as you find them
- 8 Be constructive



Emotions

I'm behind, aren't I?
Should have started
ages ago. Idiot.

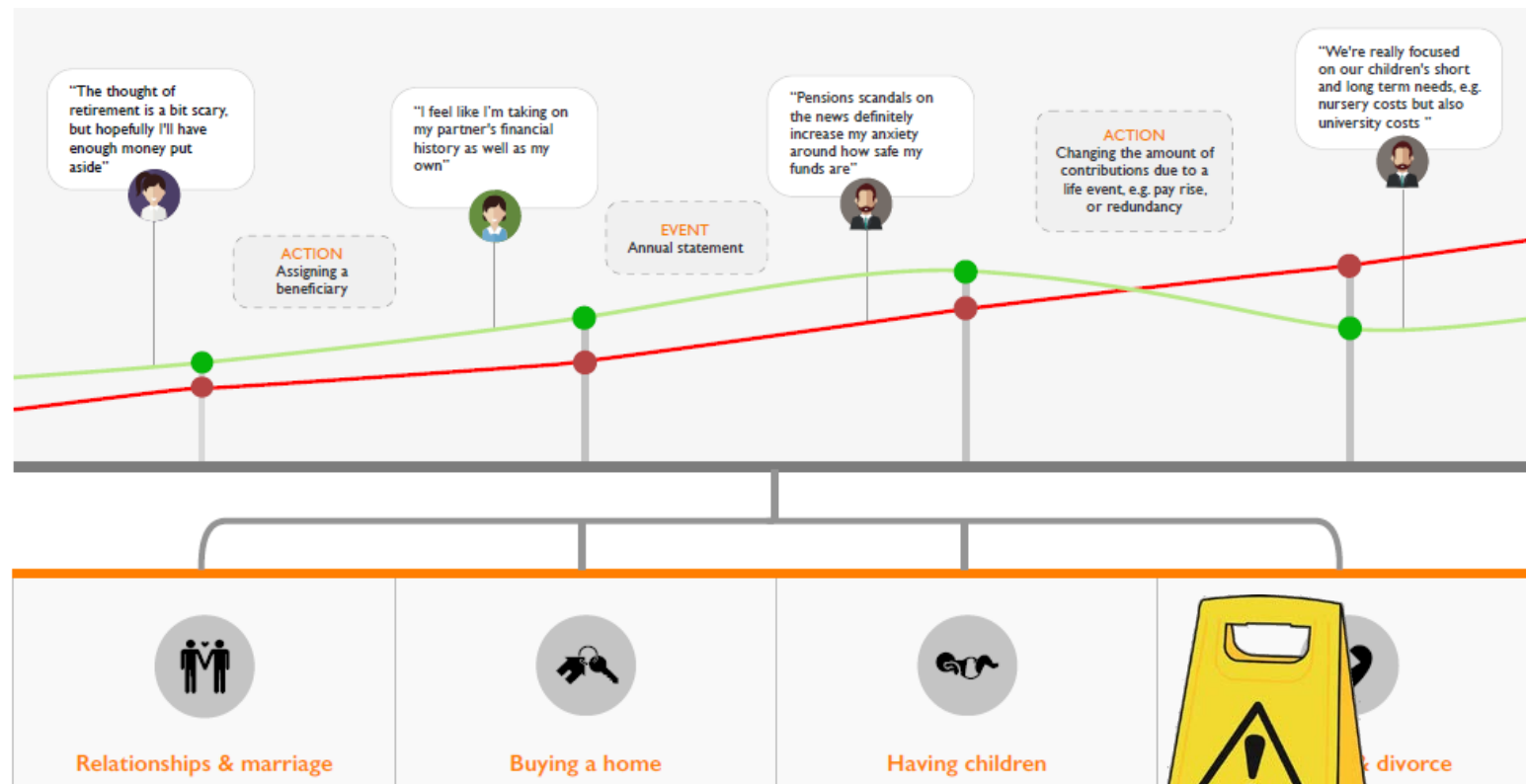
I hit 50 years old and
started to panic that I
wouldn't have enough
money in retirement.

I want peace of
mind that I
won't have to
worry in the
future.

I started to panic
slightly about my lack of
pension provision so
decided to pay regular
extras, as the amount
taken from my wages is
minute.



Events



Education



Thank you.



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