Press Release
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Invesco Defined Contribution Language Study Finds Disconnect Between What Plan Sponsors Say, What Participants Hear

Survey of more than 800 large-plan participants reveals retirement savings sentiments of millennials, Generation X and boomers

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ATLANTA - January 17, 2019 – Invesco today released findings from a new study focused exclusively on the language of defined contribution (DC) plans, specifically testing how participants react to various language as it relates to their understanding of, and interest in, key aspects of DC plan design and investments.

"We believe a disconnect remains between what plan sponsors say and what participants hear," said John Galateria, Managing Director and Head of North America Institutional, Invesco. "Our research found that many participants find their retirement plan to be confusing and wish for clearer language to help them better understand their plan's design, investment menu and post-retirement options."

The study included participant focus groups that measured emotional responses to language used in actual participant communications along with commonly used words and phrases, testing different versions of messages to uncover what works and why. The focus groups were followed by a national survey of more than 800 large-plan participants of various ages, genders and income levels to validate the results and to capture sentiments from millennials, Generation X and boomers.

"Language matters," continued Mr. Galateria. "Using the right words provides clarity to participants, which can lead to increased confidence. For plan sponsors looking to evolve their communications to increase participant engagement and encourage good decisions along the way, we found using personal, positive and plausible words in plain English can make all the difference."

Key findings include:

1) **Describing matching contributions as "free money" may help drive higher savings rates** – Overwhelmingly, when describing the benefit of the company match, personalized language that ties back to a positive, aspirational goal of a comfortable retirement resonated with all ages and can help drive higher contribution rates.

    - When participants were asked the best reason to take advantage of their employer's matching contribution, **39%** preferred **"the match is free money,"** with **32%** preferring **"the match allows me to invest more in my 401(k)."** The term **"free money"** resonated highest with Gen X, **41%**. In contrast, only 23% of participants preferred the concept that not contributing enough to take full advantage of the match is like **"leaving money on the table."**

    - When asked how they would prefer their employer communicate benefits of a match, **56%** preferred the language **"With our company match, we can significantly increase the total amount you can put away**," while **44%** preferred the language **"The company will match a portion of your contribution each year."**

2) **Clear descriptions of target date funds could reduce misunderstanding and misuse** – The study delved into the language employers (and the industry overall) use today to define target date funds, and what the participant actually hears and/or understands. The research uncovered a focus on plain English (versus industry jargon), a positive approach and a sense of personalization is paramount.

- When describing target date funds, all ages gravitated to descriptors of an investment that is **"managed for you"** and designed to help you **"achieve your goals."** A personalized approach especially resonated with boomers, who have most likely already experienced various life stages and understand the need to adapt accordingly.

- Using personalized language to explain how target date funds work may help combat their misuse. Nearly half **(48%)** of survey participants believed the best reason to put their retirement savings in a single target date fund (versus investing in additional options) was due to the target date funds' strategy description of balancing growth potential, managing risk tolerance and adapting to one's time horizon to retirement. This description overwhelmingly resonated with all age groups and seemed to best explain the fund's intent.

- The term **"glide path,"** used by plan sponsors, plan providers, advisors and consultants to discuss target date funds, ranked the lowest at **4%** of all descriptors understood by participants, with the more specific **"risk-reduction path"** resonating highest at **40%**.

3) **Risk means different things to different investors** – When it comes to target date funds, **61%** of participants preferred the more positive phrase, **"stay on track to achieve my goals"** versus **"managing risk."**

   - When asked which fund they would rather invest in – a target date or target risk fund – both were equally appealing to participants, with **52%** preferring **"a target date fund based on the year I want to retire"** versus **48%** preferring **"a target risk fund based on my risk tolerance."**

   - When asked which do you most want your investments to become? Becoming **"more conservative over time"** was preferred by all ages, **60%**, and was much more highly rated by millennials than a portfolio that becomes **"less aggressive over time."**

4) **Specific language may help retirees understand the benefits of staying in-plan** – For employers who want to keep participants in the plan once they retire, the offer of a monthly payout feature (combined with a less expensive option than what could be found outside of plan) would be of significant interest across all ages, according to the survey.

   - When presented with a personalized, plain English and positive short description, **54%** of all ages would be either very or extremely likely to stay in the plan with a monthly payout feature, with only **2%** not at all likely.

   - Communicating the ability of the plan to keep expenses low (through cost efficient pricing and/or plan scale) resonates with all ages. When considering reasons to stay in the plan, "less expensive than other retirement options" was preferred by **37%** of participants. In addition, the trust factor (of the employer) influences decisions to stay or go, **27%**, more than convenience, **20%**, or having to rethink investment options, **16%**.

Invesco is a top provider of defined contribution solutions managing $96 billion in DC assets as of September 30, 2018. Delivering disciplined investment experience, thought-provoking insights and tools, and unparalleled client service, Invesco works with plan sponsors, advisors and consultants to support the shared goal of helping participants achieve a comfortable retirement.

To access the executive summary and additional findings please click here, or to access the full study and learn more about Invesco's defined contribution solutions platform, please visit www.invesco.com/dc.

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Study Methodology

Together with Maslansky + Partners, the 2018 national survey targeted plan participants with the following criteria:

- 800+ respondents across millennial (age 24–34), Generation X (age 35–54) and baby boomer (age 55–64) generations with an equal male/female ratio
- All employed full time at an organization with 5,000+ employees
- All work employers who offer defined contribution plans; 57% have both defined benefit and defined contribution
- Mix of corporate and public employment
- Mix of incomes and assets
- Mix of levels of investment in their defined contribution plan

- Plan sponsor interviews and participant focus groups in New York, Atlanta and Dallas were also part of the study and used to help shape the national survey

About Invesco Ltd.
Invesco is an independent investment management firm dedicated to delivering an investment experience that helps people get more out of life. NYSE: IVZ; www.invesco.com.

Disclosures

Source for all data: March 2018 survey by Invesco and Maslansky + Partners of 800 employees of large companies.

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This does not constitute a recommendation of any investment strategy or product for a particular investor. Investors should consult a financial professional before making any investment decisions.

A target date fund identifies a specific time at which investors are expected to begin making withdrawals, e.g., Now, 2020, 2030. The principal value of the fund is not guaranteed at any time, including at the target date.

A target risk fund maintains a relatively static asset allocation, versus a target date fund where the allocation to stocks decreases over time as the fund's target date approaches. There is no assurance that any investment product will achieve its investment objective. Investment products are subject to market risk, which is the possibility that the market values of securities owned by products will decline and that the value of the investment may therefore be less than what was paid for it. Accordingly, one can lose money investing in such products. Please be aware that any investment product may be subject to certain additional risks. See prospectus for complete details about the risks associated with any investment product.

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