COVER STORY

# Game On!

**Gamification revolutionizes the process of informing and motivating participants about retirement readiness.**

**BY JOHN IEKEL**


PLAY

You've seen them. (Maybe you're one of them.) They're everywhere — people walking, heads bowed, staring at a captivating little glowing screen, perhaps typing or scrolling with their free hand. And somehow, not walking into inconveniently placed signs, telephone poles and walls. Well, a few probably do.

Chances are that many of those irresistible screens are illuminated with games.

A diversion? Certainly. But also an opportunity.

Adding new technologies to existing efforts to increase participation and deferral rates can mean greater success in building retirement readiness. The tremendous popularity of online games and the need to increase retirement plan participation and convince employees to save more is a marriage not of convenience, but of opportunity. And its child is gamification, retirement planning style.

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>
> — Gabe Zichermann, Gamification Co.

### Gamification, Defined

Gamification is the practice of using games, and the mechanics and technology behind them, to achieve goals unrelated to entertainment and gaming themselves. In a sense it's an electronic way to accomplish what one of my teachers did in grade school when we played multiplication bingo — using a game to accomplish a more lasting result than just having fun.

Gamification also entails a new way of thinking. Mark Noble, director of sales at iJoin Solutions, LLC, explains: "Gamification, by definition, is about applying game-design thinking to non-game applications to make them more fun and engaging." Kenneth Pflug, Principal, Retirement Wealth Practice at Buck Consultants, LLC, said he considers it "forward thinking" for employers to implement gamification "to achieve their business goals by providing a more meaningful, engaging and 'fun' experience for their employees, clients and customers."

But the new mentality also applies to employees. "We're asking them to think differently about something they may not have thought about before," says Sheri Fitts, president of ShoeFitts Marketing.

And it incorporates psychology, too. According to Pflug, gamification "is an emerging business practice which is leading the way to change behavior through engaging design based on the intersection of games and our understanding of human psychology."

Similarly, Fitts sees it in terms of changing behavior. Her advice: Take a look at your benefits plan and consider what behavior you want to elicit from an employee; then make changes to bring that behavior about.

### Some Basics

Pflug calls gamification a blend of art and science that incorporates individual behavior goals to achieve business performance goals. To him, "the artistry is in developing a workplace experience that incorporates intrinsic motivators — daily motivators that no one may see but appeal to the individual — such as solving problems, working with interesting people or on an interesting subject matter."

iJoin uses a variety of techniques from simple animations and motion graphics to complex behavior engines, which Noble says helps them "understand and guide the employee's natural desire to compete and play." iJoin's approach is to define why participants should save, show them how much to save and give them guidance on where to do so.

Fitts suggests keeping in mind that it isn't necessary to use challenging technology. "It can be quite simple," she noted.

See sidebar on the next page for an example of a game by which a player can make financial and investment decisions.

Chris Whitlow, founder & CEO of edu(k)ate, offers these pointers:

- The employer should observe its workforce demographics, what has been successful in motivating employees in the past, and its short- and long-term goals.
- Create a communication strategy outlining how to articulate the vision of the goals to the employees. It's important that the employees see the employer incorporating these goals into the cor-

porate culture, from the top down.

- Set realistic expectations based on the budget of time and resources.
- Look at what technology could help in implementing this new process or consider doing it in-house if possible.

Whitlow adds, "Consistency is key. If you earned miles one year but the program changed and you could not redeem them the following year, it would be hard to get people excited. Employers must be consistent, and consultants must be diligent in empowering their employer clients to stay the course by providing refreshing content, tools and encouragement."

And it's not just as simple as using one or two games and calling it a day, in Whitlow's view. He cautions: "Some types of gamification are more effective than others, especially when you consider the difficulty of the task you want the user to complete. If a user is facing a deadline with consequences, their motivation for completing the task becomes exponentially greater as they approach the deadline. Gamification is a tool that aids to increase a user's level of motivation to complete a task. If the reward is too little and the task is too great you will no doubt have ineffective gamification. Therefore, when designing an effective gamification platform you should constantly be looking at what state a user's motivation is at during the task, reward them appropriately, and move them onto the next challenge, further increasing engagement in your platform."

Pflug, too, offers a note of caution. "Designing a successful gamified system which meets the business objectives is not obvious or easy, since it is difficult to artfully design these systems which are based more on psychology than technology."

**Opportunity Knocks**

In what seems like a nanosecond, electronic communication bred an entertainment corollary. Just how widespread are electronic games? More than a million people bought Minecraft less than a month after its beta version was issued; there were 100 million registered Minecraft users by the end of February 2014. And it took just four years for there to be more than 100 million paid downloads of Tetris.

Voya Financial provides another stark illustration of gamification's potential. According to Voya, industry data suggests there are more people in the U.S. who meet the definition of active gamers than those who save for retirement — 141 million gamers versus 61 million savers. Game apps are also the most downloaded items by smartphone owners, and iPhone users are playing games an average of 14.7 hours a month.

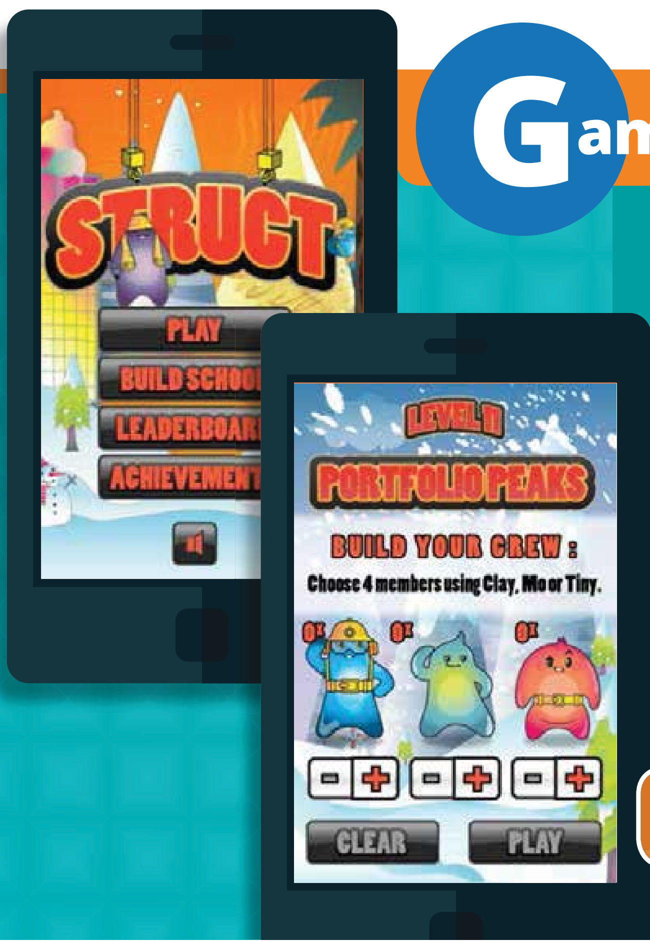
Like online games, the importance of saving for retirement also is not going away. Employers recognize that more can be done to build employees' grasp of the need to save more and start earlier rather than later, which two recent studies illustrate.

Towers Watson's study of 457 large and mid-sized U.S. employers that sponsor defined contribution plans showed that:

- 78% said that retirement readiness is a top issue for their employees, and even more — 82% — think it will become even more important to their employees in the near future.
- A mere 12% said their employees know how much they need in order to be prepared.

Aon Hewitt's "2015 Hot Topics in Retirement," a study of 250 employers with six million employees, found that:

- 94% plan to encourage employees




## Gamification Applied

**Voya Financial uses a game app to help players learn and become conversant with basic concepts concerning finances and investing.**

**The firm's "STRUCT" app includes earning points, progressing to different levels and a listings on a leader board, which Voya intends to parallel risk, diversification, and goals and achievement.**

**The premise of the game is that a player works with different building materials that represent different investment categories. Players also must choose characters — the three main ones correspond to conservative, moderate and aggressive investment styles — as well as fourth, a wild card character, which corresponds to risk and opportunity.**

**The game conveys metaphors about saving and investing as players choose their characters and pursue the game's objectives. They progress through 12 levels, each of which introduces an investing term.**

**More information about Voya's game app is available at http://corporate.voya.com/newsroom/media-kits/struct-mobile-game-app.**

who participate in DC plans to increase their contributions to their accounts and almost as many plan to help employees recognize retirement readiness.
- 87% plan to increase employee participation in their DC plans.

And the need to engender heightened interest in retirement readiness may be even more acute regarding younger employees and new hires. Ronald O'Hanley, then-president of Asset Management and Corporate Services of Fidelity Investments, told *Institutional Investor* in July 2013 that understanding how important it is to save does not translate to acceptance that starting to do so early is more important than how much return there is on an investment.

Bolstering the contention that there is work to do concerning younger workers is a study Dawe cited that shows that most enter the workforce without a strong understanding of the need to save. The U.S. Treasury's 2013 National Financial Capability Challenge, an awards program designed to increase the financial knowledge and capability of U.S. high school aged youth, yielded a national average score of 69%.

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### Fighting the Zzzzzz's

Towers Watson found that most employers still rely on tried-and-true methods to educate employees about their retirement plans and retirement readiness: newsletters, group meetings, account statements, webcasts.

The problem is, that can be dry. Noble certainly thinks so — and he's not alone. “Plan sponsors have seen firsthand that the old way of conducting enrollment meetings is outdated and not effective,” he says.

And don't discount the value of lightening things up, Fitts points out. “It's a pretty heavy subject,” she observes, adding that it also can evoke fear. She thinks that using “something that could be more enjoyable and entertaining and a little lighter — I think that would be a very good thing.” She added that an employer can make the results of a meeting or process even more effective by incorporating some kind of game.

Even employers that already do use technology may be able to do better. O'Hanley told *Institutional Investor* that in his view, the technology that employers are providing participants for this purpose can be difficult to use; in addition, he said that much of it is “just boring.” Towers Watson's findings suggest many employers fall prey to that; less than 10% of the employers it studied extensively employ mobile apps or gamification.

### Has its Time Come?

Employers are beginning to get the message, at least according to Noble. “Employers are seeking ways to engage the younger workforce to start saving and saving more often.”

“The world is moving to effective digital solutions,” says Fitts, who added that with the proliferation of technology such as smartphones, she “can't imagine it not growing.”

Gamification Co. CEO Gabe Zichermann indicates that Fitts is on to something. “Gamification has been forecast to become a billion dollar industry in the next year or two, and as its use spreads throughout the economy, its impact will only grow,” he remarked.

Why? Whitlow offers his take: “As social creatures who are curious and always looking for new and exciting things to keep us entertained, being rewarded is what keeps us coming back for more. Saving for retirement is out of mind for most people, and giving participants the ability of seeing immediate rewards surrounding retirement make them more engaged in the plan overall and makes retirement fun for them to think about and take action on.”

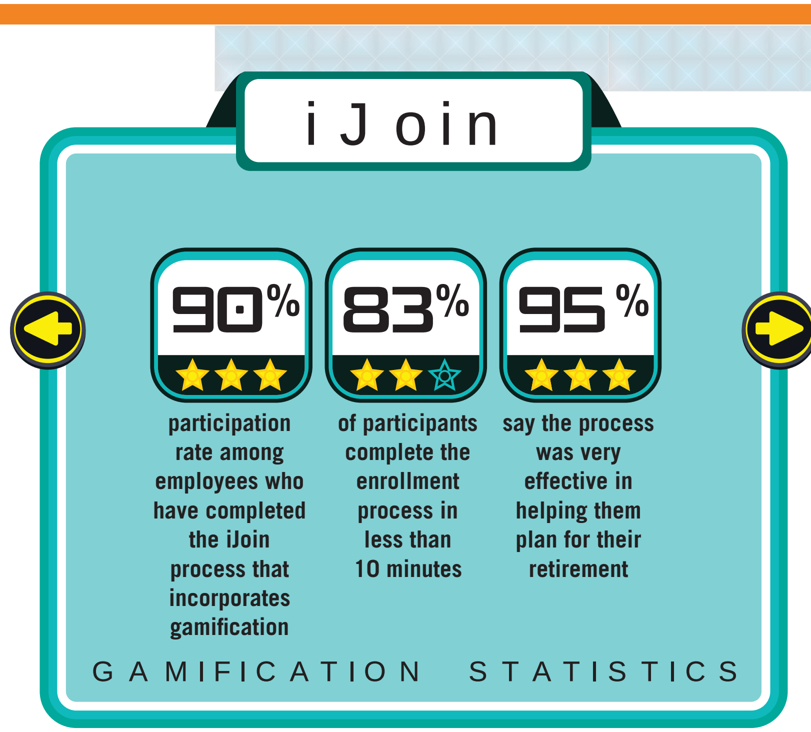
One may expect that there would be more emphasis on targeting gamification for younger workers, given the need to increase their participation and retirement saving rate. And the stereotype is that technological applications are more for the young than for the more mature parts of the workforce. Still, Noble doesn't think that gamification's usefulness is isolated to just the young, explaining, “Although gamification at a glance seems to be more beneficial for a younger workforce, gamification has been shown to impact behavior across all groups and age levels. The right gamification tactics can be used to help with user acquisition, consumer engagement and behavior modifications.” He added his company developed the iJoin application “to work with multiple plan designs, serving a diverse demographic population with multiple language needs.”

### Federal Rule Keeping

Federal law does not provide tax breaks and incentives to employers to use games to encourage participation in retirement plans and build retirement readiness. ERISA only prohibits gamification that would benefit certain parties — including the employer, the union, plan fiduciaries, service providers and statutorily defined owners, officers and relatives of those parties — and care in plan design can avoid that concern.

However, Section 401(k)(4)(A) of the Internal Revenue Code provides that a 401(k) plan will not be treated as a qualified plan if any “other benefit” (other than a matching contribution) is contingent upon an employee making a salary deferral contribution to the plan. “Other benefit” is very broadly defined in the corresponding IRS regulations, so participants cannot be rewarded with even a small incentive, such as a gift card, without running afoul of plan qualification requirements.

Nonetheless, the use of games to achieve greater savings — in general, at least — does have some federal support. In December, Pres-




ident Obama signed into law the American Savings Promotion Act, which provides for the use of savings promotion raffles by financial institutions to encourage savings and amends various federal laws to allow savings promotion raffles by insured depository institutions and savings and loan associations. While it does not apply to employer-sponsored benefit plans or IRAs, it does demonstrate that Congress is amenable to the notion of promoting savings in this manner.

And in November, Sens. Ron Wyden (D-Ore.), Debbie Stabenow (D-Mich.), Ben Cardin (D-Md.) and Sherrod Brown (D-Ohio) sent a letter to Treasury Secretary Jack Lew asking for regulatory action by Treasury that would provide tax incentives to encourage gamification. The letter also asked Treasury to provide an exception to the "contingent benefit" section of the tax code that prohibits 401(k) plans from providing financial incentives to encourage participants to enroll in the plan.

Andrew Remo, NAPA's Congressional Affairs Manager, points out that, "Should the exception be granted, this could allow some gamification techniques with modest financial awards to get employees to participate in the plan."

**The Bottom Line**

Complementing — if not supplanting — traditional ways of recruiting and educating participants with games will better enable employers to address the need to better inform and motivate employees about retirement readiness, Zichermann believes. "Forecasting the future is incredibly difficult for people, and good financial planning requires us to make sacrifices now in order to ensure stability and security later," he argues. "This tension/dichotomy is behind the lack of adherence to effective retirement planning among employees and individuals. By using gamification, we can help individuals understand the ramifications of their choices, visualize the future in new ways, and understand the various scenarios that result from engagement in retirement planning. In short, gamification can help inform and engage, ultimately raising participation and performance."

Voya Financial sums up another attractive aspect of gamification: Convenience. They emphaszie that a game app provides another means of reaching individuals when and where they want to engage — such as through their smartphones and other mobile devices. That's been iJoin's experience, according to Noble: "We have also learned that a smartphone-carrying employee or consumer can be drawn into a gamified experience at any time, wherever they are."

Gamification also can save an employer money, since it uses means other than an employer contribution to attract participants, Zichermann notes. "From a pure financial perspective, gamification is the most cost-effective way to engage people and change behavior because it shifts the emphasis from cash to non-tangible rewards. These rewards principally are based on my 'SAPS' framework: Status, Access, Power and Stuff — the rewards of gamification. So if we want to drive adherence, performance, mastery, etc., gamification can be a hugely powerful way to make that happen."

And that's not the only way it can save an employer money, according to Noble. "With the savings crisis in America, plan sponsors are not immune to the expenses and burden that comes with an aging workforce, which more often than not is due to the participant's inability to retire confidently."

**Is it Worth it?**

So does gamification work? Here's what iJoin's statistics show:

- an average participation rate of more than 90% among employees who have completed the iJoin process that incorporates gamification;
- 85% of iJoin's participants complete the enrollment process in less than 10 minutes;
- 93% say the process was very effective in helping them plan for their retirement;
- 99% of employees said the format and presentation used in gamification enhanced their learning; and
- 100% said they would complete more training in the mobile format.

"Gamification is the most effective way of engaging people and changing behavior that we've seen to date," Zichermann believes. "This is because it combines the three Fs: feedback, friends and fun, to make tasks more compelling and rewarding for users."

At edu(k)ate, Whitlow reports, "Our employers have seen our gamification platform increase engagement with retirement education for their employees 200% and more above normal plan rates. Using our contest platform to offer prizes to employees for completing retirement readiness tasks, we have seen engagement rates increase 400%-600% based on the demographics of the organization."

Perhaps Whitlow sums it all up best: "Only time will tell how these practices will get employees closer to retirement readiness, but if history is any indication, I believe these programs will be very successful."