

Voya Promotes Whitepaper Reinforcing Importance of Digital Design in Retirement Plan Oversight
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Introduces concept of “digital fiduciary” along with actionable steps employers can take to help influence better retirement outcomes for employees

Voya Financial, Inc. (NYSE: VOYA), announced today a new whitepaper it is promoting through the [Voya Behavioral Finance Institute for Innovation](#): “[*THE DIGITAL FIDUCIARY™: Overseeing Retirement Plans in the Digital Age.*](#)”

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Authored by Shlomo Benartzi, UCLA professor and senior academic advisor for the Voya Behavioral Finance Institute for Innovation, it examines the potential influence that digital design can have on one's retirement savings decisions. As the use of digital and mobile technologies continues to increase, the paper proposes that plan sponsors and advisors have a responsibility to consider websites and apps that encourage better retirement decision-making, applying the same oversight and diligence that they currently utilize for plan design and investment selection. Consequently, the paper suggests that there is an emerging opportunity to become a “digital fiduciary” for the plan.

“In an age when many individuals are making important financial decisions on their digital devices, research tells us that the design of screens — how information and choices are presented — can dramatically impact the way workers save,” said Charlie Nelson, CEO of Retirement and Employee Benefits for Voya Financial. “Because digital design can have a strong influence on long-term results, it is important to use design elements that support a plan sponsor's ultimate goal of helping their employees achieve a secure financial future.”

Research in the field of behavioral science reinforces that digital resources can have a significant impact on retirement decision-making. For example, studies have shown that [the number of blank lines](#) on a retirement plan website can help shape an employee's level of diversification,¹ and [enhancing the design](#) of an enrollment website can increase the number of workers who personalize their enrollment by 15 percent and increase overall plan contributions by 10 percent.² Further, employers have an opportunity to present [higher default contribution rates](#) in an online enrollment setting that are double and triple the most commonly suggested default savings rate (3 percent) without reducing enrollment.³

“In the 20th century, overseeing an employee benefit plan meant having a deep knowledge and expertise of investing and plan design. Now, in the 21st century, retirement security often depends more on fast decisions made on smartphones, and the designs that influence them, than on investment performance,” said Benartzi. “By introducing the digital fiduciary concept, our goal is to underscore that if you want to do the right thing for your employees and plan participants — if you want to act prudently on their behalf — then you need to understand how people think and decide in the digital world. It is therefore essential for plan sponsors to add effective digital design to their skill set.”

The Employee Retirement Income Security Act (ERISA), which went into effect decades before the digital age, contains a provision that requires plan fiduciaries to act with diligence “*under the circumstances then prevailing.*” Certain experts in the ERISA field assert that today, these circumstances arguably include online interactions,⁴ as greater numbers of employees make their choices online. The paper suggests that leveraging the power of digital design could theoretically help minimize the legal liability associated with providing a retirement plan if it contributes to satisfied participants and positive retirement outcomes. To that end, the paper outlines a number of actionable steps for plan sponsors and advisors to consider, including the following:

- **Making the right thing easy:** One of the biggest lessons from behavioral finance is that “default” options can strongly influence decision-making. In the online world, there are many defaults to consider, from suggested saving rates to a participant's expected retirement age. When looking to help people make better decisions on screens, rethinking existing defaults and considering more

optimal defaults can often be the easiest — and also the most impactful — strategy.

- **Testing and retesting:** It is critical that plan sponsors select plan providers that routinely test different digital designs. However, it is equally as important that such testing is done in a rigorous and careful manner. Constant iteration and improvement is the goal.
- **Establishing a digital policy statement:** Virtually all plans have an investment policy statement that lays out their investment objectives, and establishes criteria and procedures for selecting investments. Sponsors should consider establishing an equivalent statement for digital policies, laying out the objectives of a plan provider's digital designs, as well as describing the process for measuring and improving those designs.

"Regardless of future fiduciary regulations, history teaches us that a reliable way to avoid potential litigation is to keep the success of plan participants front and center, and to develop processes for determining which digital designs and elements are most relevant for participant success," added Benartzi.

Voya's Behavioral Finance Institute for Innovation is focused on gaining deeper insights into the decisions of American workers regarding their financial and retirement planning activities. By merging behavioral science with the speed and scale of the digital world, the Institute seeks to create large-scale solutions designed to help improve individual retirement outcomes. For more information, please visit Voya.com/behavioralfinance.

1. Benartzi, Shlomo, and Richard H. Thaler. "[Heuristics and biases in retirement savings behavior.](#)" *The Journal of Economic Perspectives* (2007): 81-104.
2. Saurabh Bhargava and Lynn Conell-Price of Carnegie Mellon University; Richard T. Mason of City, University of London and Voya Financial; and Shlomo Benartzi of University of California at Los Angeles. "[Save\(d\) by Design.](#)" *October 2018.*"
3. John Beshears of Harvard University and NBER; Shlomo Benartzi of University of California, Los Angeles; Richard T. Mason of City, University of London and Voya Financial; and Katherine L. Milkman of University of Pennsylvania. "[How Do Consumers Respond When Default Options Push the Envelope?](#)" *October 2017.*
4. See companion paper by Michael Hadley, partner, Davis & Harman LLP—"Fiduciary Concerns and Digital Design," Appendix B in "[The Digital Fiduciary™: Overseeing Retirement Plans in the Digital Age.](#)"

About Voya Financial®

Voya Financial, Inc. (NYSE: VOYA), helps Americans plan, invest and protect their savings — to get ready to retire better. Serving the financial needs of approximately 14.3 million individual and institutional customers in the United States, Voya is a *Fortune* 500 company that had \$8.6 billion in revenue in 2017. The company had \$543 billion in total assets under management and administration as of September 30, 2018. With a clear mission to make a secure financial future possible — one person, one family, one institution at a time — Voya's vision is to be America's Retirement Company®. Certified as a "Great Place to Work" by the Great Place to Work® Institute, Voya is equally committed to conducting business in a way that is socially, environmentally, economically and ethically responsible. Voya has been recognized as one of the 2018 World's Most Ethical Companies® by the Ethisphere Institute; one of the 2018 World's Most Admired Companies by *Fortune* magazine; as a member of the Bloomberg Gender Equality Index; and as a "Best Place to Work for Disability Inclusion" on the Disability Equality Index by Disability:IN. For more information, visit voya.com. Follow Voya Financial on [Facebook](#), [LinkedIn](#) and Twitter [@Voya](#).

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