



Beliefs and Behaviors

Make a habit of saving: the role of ritual in driving employee behavior

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No one needs an email reminder to put up a tree at Christmas, or bring a gift to a wedding, or wear black at a funeral. These are the norm. They are rituals in our society that are maintained and reinforced through constant repetition. But one sphere of our lives where society has been generally unable to create rituals is the world of money. If plan sponsors could create such rituals they might elevate investment and retirement planning from a lonely chore to something that is automatic, public and baked into the fabric of expected behavior.



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What is a ritual?

There are three elements that differentiate a ritual from a simple routine. First, it must be done outwardly, socially, in public so that the community can sanction and reinforce the action. Second, there must be symbols that can be seen or touched, similar to a diploma or wedding dress. Third, a ritual must be regular and predictable. It happens at certain times of the year, or when someone reaches a certain age.

There are a few examples of savings rituals: giving money at weddings, college funds, and savings bonds for newborns. Others rituals have faded, such as the Christmas club savings accounts and Green Stamps, which customers would collect at retailers and then redeem for products in a catalogue. The only real ritual around retirement is the retirement party. But these also have faded; the gold watch devolving from a symbol of achievement and thanks to a perfunctory, kitschy good-bye.

Workers would be better off if more savings rituals existed. That's especially true today as retirement funds shift from defined benefit pensions in which investment risk and portfolio management are entirely under the control of an employer, to defined contribution retirement plans in which employees make their own contributions, choose asset allocations and shoulder the investment risk. To the extent that employers can create rituals — socially reinforced saving habits in the workplace — they can help make retirement planning on the part of employees more automatic and achievable.

In fact, most employers already have routines around retirement planning that could be transformed into rituals if reframed correctly, such as employee seminars. And while some employers might worry that retirement planning is too personal to bring into public sphere, there are encouraging precedents for delving into the private lives of employees. The most obvious example is employers' increasingly involvement in the health of their employees.



Financial Services



Create annual or semi-annual events to recognize and reinforce the need for savings and retirement readiness.

Over the past 10 years, many employers have adopted programs to encourage exercise, weight loss and regular check-ups to head off common chronic diseases such as diabetes.

That said, translating something so personal into a public ritual will take some finesse. For instance, if a company were to create contests to encourage savings, it would be best to keep these at the department level so no one feels too exposed. Also, they should take into account generational and gender differences.

Generation X and Millennials were raised in an environment of frequent — some might argue too frequent — awards and positive reinforcement. For them, getting recognition in the organization's newsletter or on the intranet might seem natural. Older baby boomers, however, might be very uncomfortable with public congratulations for what they consider a private matter.

When it comes to gender, women tend to be more committed to group activities that contribute to a larger common goal. For them, rituals are a way to pull together and improve the financial well-being of the group. Men, on the other hand, may join the group but may exhibit more competitive behaviors, and are inclined to keep score and try to win. The group's financial well-being is really a secondary concern. These are broad strokes, to be sure, but research tends to bear them out.

Bringing rituals to life

There are three ways that employers can begin to create such rituals in the workplace:

Lead by example. Managers and mentors must voice the importance of savings and investment and back that up with actions. They need to make it clear that taking responsibility for retirement readiness is not just expected, but fundamental to what it means to be an employee at the institution. On a practical level, this means being at the retirement seminars, and perhaps making opening remarks. Making time in a busy schedule to attend these events shows that senior leaders take these matters seriously.

Make it public. Create annual or semi-annual events to recognize and reinforce the need for savings and retirement readiness, such as a savings competition between departments with a real-time, online savings pedometer to add drama. An institution of higher education might associate retirement planning activities with the school calendar: Remind employees to rebalance their portfolios before each spring break, or urge them to evaluate their plan contribution level every fall when classes begin. In addition to creating events, it's important to celebrate achievement and good behaviors with certificates or badges — electronic or otherwise.

Make retirement feel real. Use these events to celebrate employees near retirement. Have them share their plans and what they did to prepare. Create enthusiasm for retirement and instill a conviction among employees to plan in order to make the most of it. Establish mentor programs between employees and near-retirees, as well as actual retirees, to discuss retirement goals, planning and successes. These events can become a place where retired employees come and reconnect with colleagues, a ritual exchange that extends beyond the workplace and makes retirement concrete.

Rituals are most often associated with religious services, but rituals are more a part of our everyday lives than many people realize: birthday parties, the coin toss before a football game, even the act of voting and listening to a newly elected president's inaugural address. Unfortunately, our society has few rituals around savings and investment, which hurts retirement readiness. Plan sponsors can help change that.

