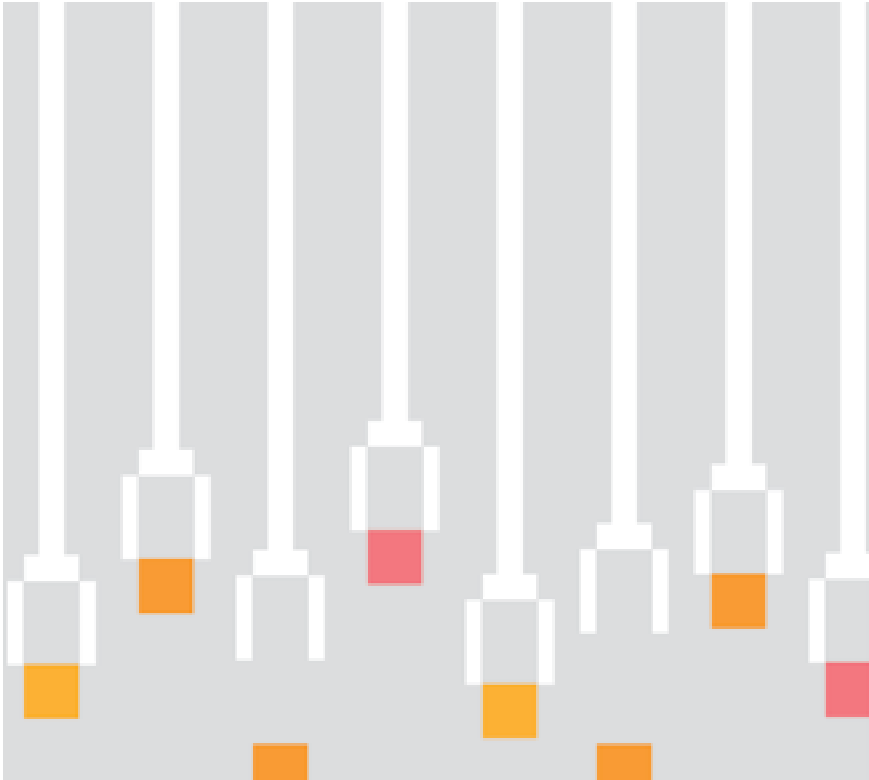
# Retirement in America: Time to rethink and retool

www.pwc.com

# Contents





# Executive summary

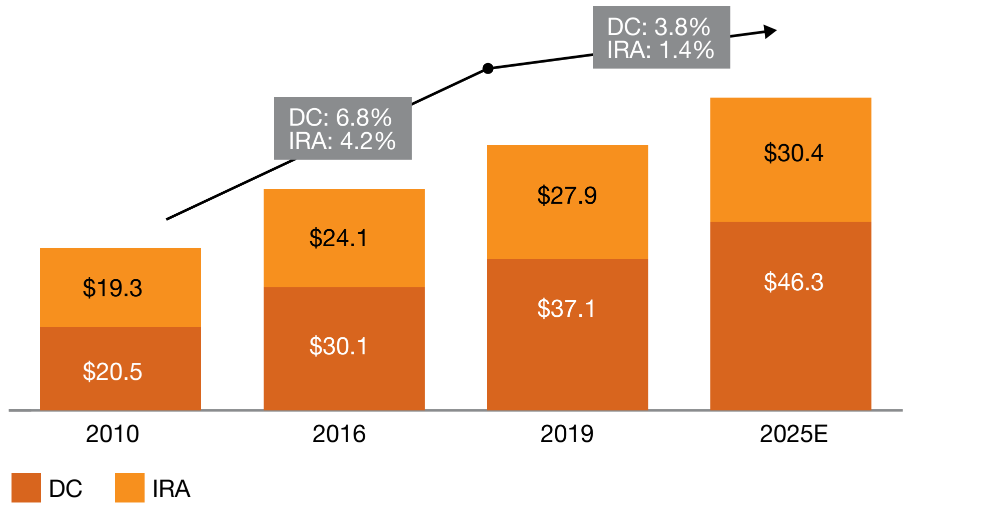
**This article is based on research conducted by the PwC Market Research Center. It's part of a series of thought leadership pieces that explore the intensifying pressures surrounding the US retirement industry and the convergence between investment management, insurance and banking to address the changing needs of retirement participants.**

**Access US Retirement Industry Overview here**

A range of factors have put intensifying pressures on the US retirement system in recent years, leaving the industry facing a decelerating revenue growth outlook. A number of these challenges — fee pressure, underfunded retirement plans, an aging population — are structural and unlikely to ease.

Many retirement players have been unable to outrun even one of these factors: fee pressure. Rising industry-wide fee pressure is placing constraints on the profitability of US retirement firms with average 401(k) expense ratios falling by a third over the last ten years. The fee pressure phenomenon is not limited to asset managers. According to PwC analysis, recordkeeping fees are also on a downward trajectory, declining by 8% between 2015 and 2019 alone.

**Defined contribution and IRA revenue**
$ in billions, % CAGR:




Sources: PwC Market Research Centre analysis based on ICI data

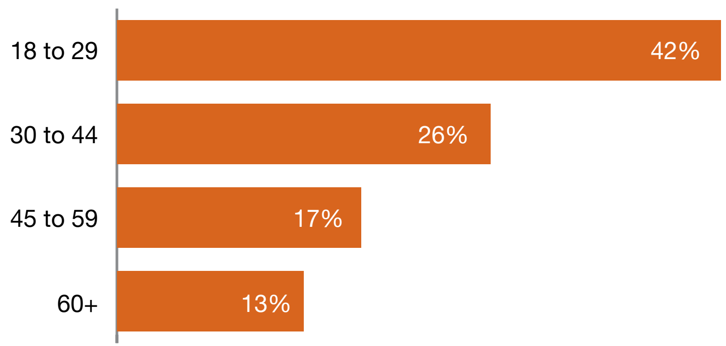
While these pressures have forced some retirement firms to consolidate or exit, there's an opportunity hiding in plain sight. Firms that focus on the evolving needs of participants by addressing individual challenges with new benefit offerings and holistic advice can increase participation. Access to retirement programs can also improve through lower cost turnkey programs specifically designed for small business which, in total, we estimate can unlock an additional $5 trillion in retirement assets.

The call to action is now. There are too many signs suggesting the population is unprepared. A quarter of US adults have no retirement savings and only 36% feel their retirement planning is on track.[1] Even for those who are saving, many will likely come up short. We estimate the median retirement savings account of $120,000 for those approaching retirement (age cohort 55 to 64) will likely provide less than $1,000 per month over a 15-year retirement span. That's hardly enough even without factoring in rising life expectancies and increasing healthcare costs.

**$5 trillion**

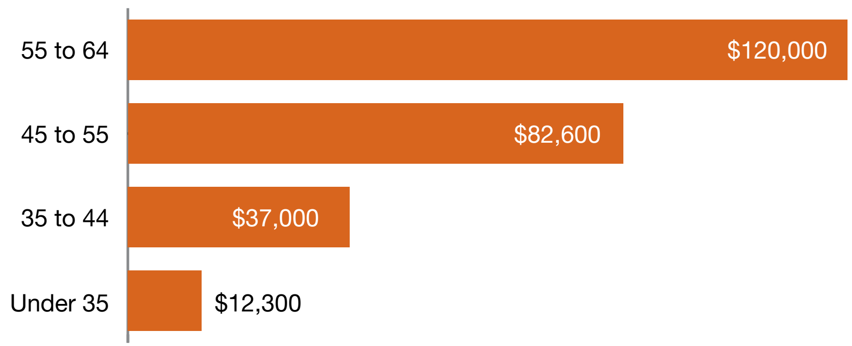
in retirement assets capture opportunity through expanded participation and access.

**Percent of Americans who have no retirement savings by age cohort**




Sources: PwC Market Research Centre, US Federal Reserve data

**Median retirement savings account balance by age cohort**




Sources: PwC Market Research Centre, US Federal Reserve data

[1] US Federal Reserve, Report on the Economic Well-Being of U.S. Households in 2018, Last Update: January 27, 2020.

## Where the industry stands today

In response to these challenges, retirement firms are matching fee pressure with cost reductions while several firms have opted to consolidate. However, continuous consolidation has further reinforced price competition, with some firms relying on drastic price modifications to attract new business.

While thin margins are a threat for the entire industry, smaller firms face even greater headwinds. The ability to excel in today's environment is closely tied to the extent to which firms can generate scale for distribution, innovate with new technologies and expand benefit offerings to help address gaps in the market — such as a need for supplemental lifetime income. Consolidation has been one approach that helps generates efficiencies needed to reinvest around these opportunities

Still, the significant constraint on profitability restricts how institutions can adapt. Firms that are unable to challenge their status quo are likely to find it harder to gain market share and face eroding competitive differentiation as their offerings become commoditized.

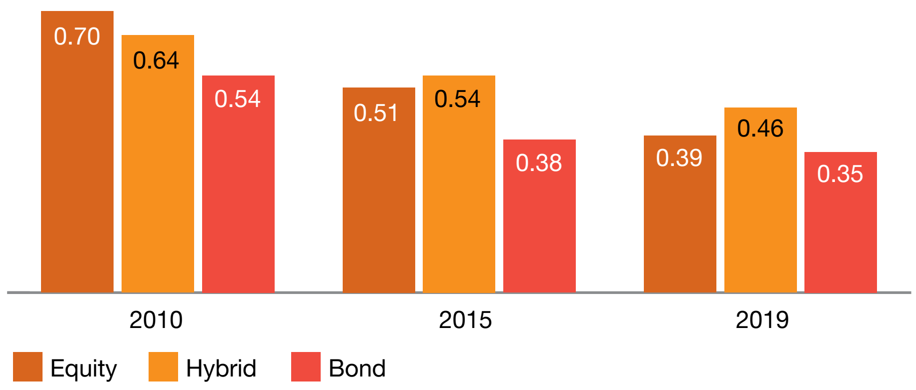
For firms both large and small, the challenges are widespread. How can firms sidestep financial pressures to reinvest for growth? How can they reframe the experience or innovate to foster higher levels of plan participation?

## A call to action

The retirement ecosystem — investment managers, record keepers, platform providers and institutional consultants that serve plan sponsors — recognize that endless cost reductions will likely hamper long-term growth objectives. But given the industry-wide pressures, it's important to separate actions that are in your control from structural problems that are not. For example, fee pressure will likely continue to challenge the revenue pool but the ability to meet changing participant needs with new financial and wellness products or expand plan access with instruments such as pooled employer plans (PEP) can help meet some of today's challenges.

Other opportunities exist within your participant coverage. Our research suggests a 17-point gap between access and participation rates for defined contribution plans — 3.5x that of a defined benefit plan. Competing priorities and the lack of financial wellness programs or advice tends to have a direct impact on whether employees forgo participation.

**DC management fees have seen constant pressure**
401(k) asset-weighted average expense ratios




Sources: PwC Market Research Centre analysis based on ICI data

There are no shortages of challenges facing participants in the retirement industry. But we see four paths to help your firm remain relevant and kick-start growth in an increasingly challenging industry.

1. **Adapt to changing participant needs:** Social inflationary trends such as rising life expectancies and the changing goals of participants dictate that retirement firms will likely need to offer new products and services in new ways in order to find and meet the differing needs of participants. New benefit offerings such as debt repayment programs or decumulation strategies and new access points such as PEP plans will likely be key factors in engaging with new participants earlier, expanding the addressable market by increasing access and growing the overall pie of retiree assets.

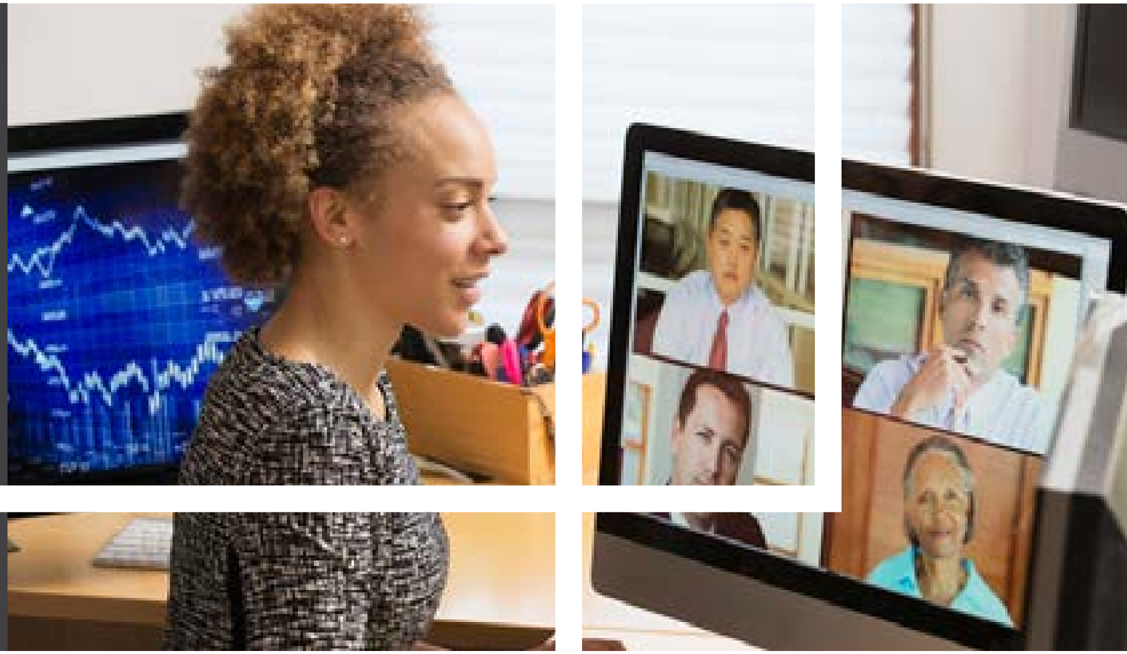
2. **Diversify revenue sources:** Retirement planning is evolving into an ecosystem of benefits that cross financial planning, health, wellness and financial literacy. Firms that can extend beyond the current playing field — which is typically limited to the defined contribution plan — can be more effective at retaining assets over time. Multi-product, cradle-to-grave benefit offerings allow consumers to find and adopt different products as their needs evolve.

3. **Reevaluate how you run your business:** Firms that participate in retirement plans are conducting a careful reevaluation of where and how they participate given industry consolidation and product commoditization. For example, record keeping — typically a higher cost function given what are often legacy, aging systems — has been upended by lower cost technology and industry concentration. For sub-scale firms to remain competitive, they should determine where to participate and how to scale in a cost-effective manner.

4. **Digitize your business:** To be competitive in tomorrow's retirement industry, record keepers and platform providers must be able to streamline their operations in order to differentiate with effective customer engagement. With advancements in technologies, there are more opportunities to automate tasks and lower maintenance costs to drive down expenses while freeing up reinvestment in order to deliver more beneficial participant experiences.

> **"Several industries are converging to reimagine what the retirement industry will look like**

# Adapt to changing participant needs



## What matters

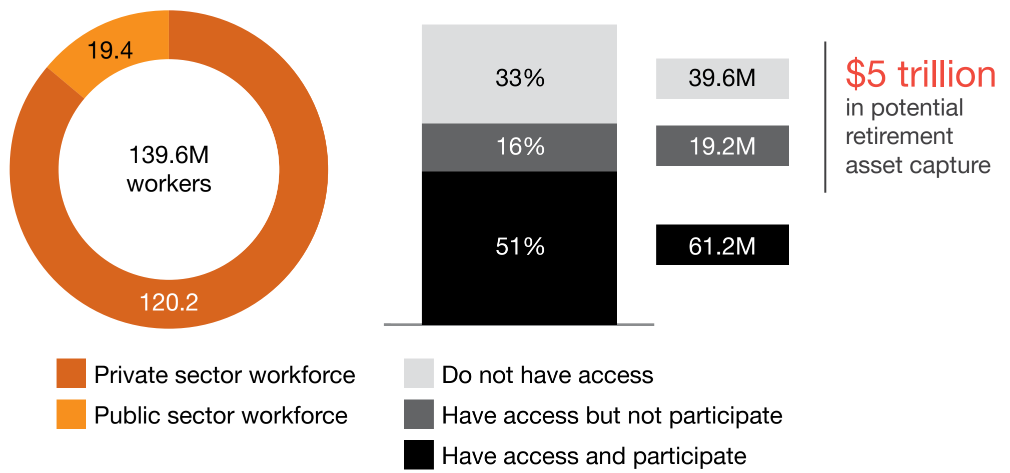
According to estimates, just 36% of the US workforce thinks their retirement savings plan is on track.[1] Tack onto this rising life expectancy and increasing healthcare costs — both of which further call into question how prepared US households are for retirement.

The list of pressures isn't limited to individuals. Sustained fee pressure will likely lead to slower revenue growth over the next five years. This could make it even more complicated for the industry to address a growing retirement savings gap.

The upshot: For firms that adapt, there's room to grow. Firms that can successfully adjust to the changing needs of retirement plan participants with new offerings can carve out space for growth in an increasingly contested and commoditized marketplace. For example, offering new benefit options such as debt repayment programs or decumulation strategies of expanding market access with new small market PEP plans could have a direct impact on providing access to retirement planning and participation rates — which we estimate could unlock an additional $5 trillion in retirement assets.

[1] US Federal Reserve, Report on the Economic Well-Being of U.S. Households in 2018, Last Update: January 27, 2020.

**US workforce participation and access**




Sources: PwC Market Research Centre analysis based on US Bureau of Labor Statistics data
Note: Percent of workers that do not have access or do not participate apply to private sector workers

## Why now

The US market is more dependent than ever on defined contribution plans (DC). In fact, over 60% of total US retirement assets are now held in such plans, representing a wide scale shift in investment risk from the corporate sector toward employees.[2]

Yet needs remain unmet. As we start to see the first generation retire solely on an employee managed DC plan, the need for higher levels of supplemental retirement income is on the rise. Our research shows the median retirement account balance for those approaching retirement would likely generate less than $1,000 per month over a 15-year retirement span. That's hardly enough for individuals whose financial security is dependent on this savings, not to mention a participant base that is living longer.

The need for broader types of benefit offerings such as debt paydown, supplemental income and managed advice is on the rise. In addition to addressing a potential savings gap, retirement paths are more diverse than in the past: Some people want to retire earlier, others plan to work reduced hours and still others want to continue working but in new endeavors.

Plan sponsors should also look toward new approaches to help increase plan participation. In the US alone, about half the workforce, about 63 million individuals, do not have access to or participate in an employer-sponsored retirement program. We believe state-sponsored retirement savings programs such as CalSavers and New Jersey Secure Choice could gain scale in the coming years and provide a pathway for financial providers to offer investment product options. Alternatively, pooled employer plans (PEP) present an opportunity for retirement firms to work directly with small and mid-size companies to help increase retirement participation.

Now more than ever, firms need to provide different retirement vehicles for different retirement paths to reaccelerate their growth trajectory.

**"More than savings is required to meet participant needs**

[2] 60% of total US retirement assets held in DC plans includes both IRA and DC plan assets.

## Steps to take

**Expand the benefit offering.** The longer the road to retirement, the more difficult it is to enroll and retain plan participants. For example, 42% of individuals between 18 and 29 have no retirement savings versus 13% for those over 60, as seen on page 4. Providers can help younger participants get on the road early and stay the course by understanding the reasons for non participation and expanding benefits to better serve more diverse needs.

To attract and retain participants throughout their careers, we recommend that plan providers add offerings that serve their near-term needs as well as their ultimate retirement goals. Offering a student loan paydown program alongside a 401(k), for instance, might prompt younger workers to enroll earlier than they otherwise would have and, at the same time, help provide a bridge to full retirement savings participation as debt is reduced.

Providers might also consider adding new financial wellness modules that extend beyond just education to also include advisor-led or digital advice. Throughout the pandemic, we've seen wide adoption of virtual advice models. Among other benefits, the technology-driven shift provides plan participants with a larger pool of advisors to choose from as well as potentially lower fees due to the reduction in displacement costs, which can help increase participation. For service providers, remote advice has the potential to help increase opportunities for sales, which could help relieve margin pressure.

By meeting different participant needs or rethinking advice approaches, providers can make sure that their efforts to engage earlier and expand wellness programs produce results.

**Adapt product offerings.** Plan sponsors should also adapt their product offerings to meet the differing needs of participants in effort to help increase participation and increase access.

First, plan providers can tap the fast-emerging ranks of DC plan-only retirees by expanding their retirement income options. For example, guaranteed income, through in-plan annuities and other options, can play a big role to combat social inflationary trends. Incorporating annuities into a common DC plan could help remove the negative connotation of the product and extend retirement spending power alongside rising life expectancy.

In any case, a diverse set of product offerings is probably key in addressing new and varying needs of participants. In PwC's 2020 Financial Wellness Survey, 56% of surveyed baby boomers told us they would continue to work after retirement either out of willingness or due to financial necessity — far higher than previous generations. Plan providers that have decumulation strategies and alpha-oriented products will be better positioned to be more engaged and meet the needs of these future retirees while keeping assets in plan.

Second, look to the underserved small business market. About 40 million individuals don't have access to an employer-sponsored plan largely due to the cost burden for a small business to offer a plan or the unique needs of self-employed individuals. With the Secure Act of 2019 allowing unrelated employers to create a single plan, known as PEP, costs are shared unlocking a new growth opportunity. According to a Transamerica Center for Retirement Studies survey, 29% of companies that don't offer DC plans would consider a MEP if the costs were reasonable.[3]

**Reframe the participant experience.** To foster higher levels of participant retention, we believe retirement players should consider ways to build greater convenience and personalization into their offerings. According to our 2018 Future of CX survey, positive experiences influence decision-making the most in healthcare and financial services — two cornerstone industries for retirement.

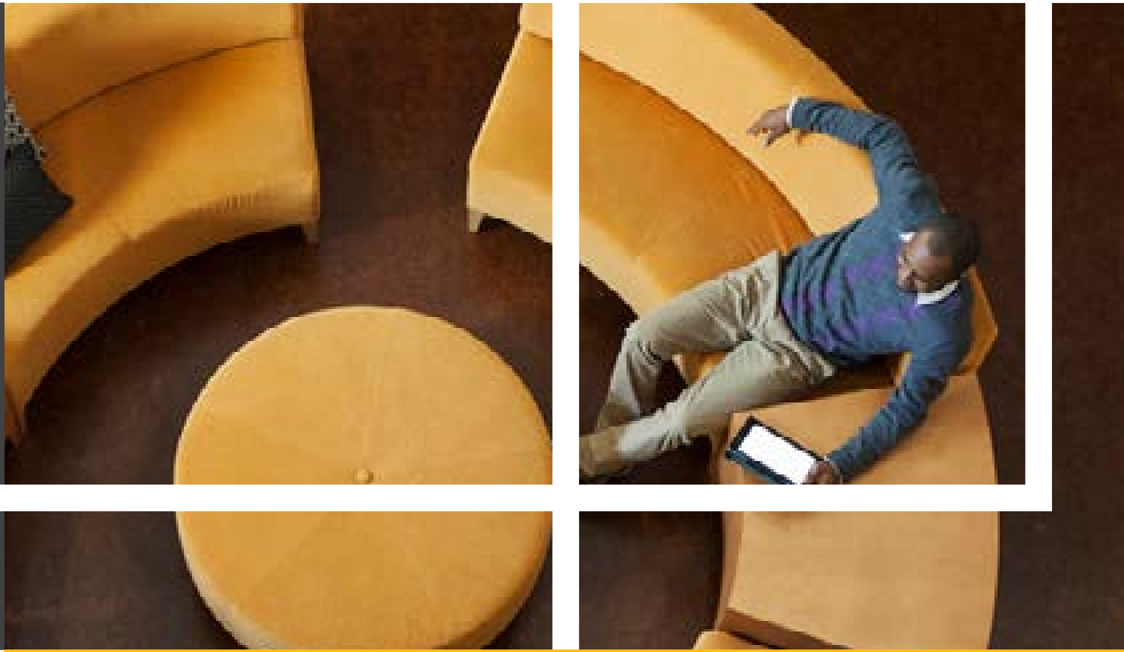
Plan providers can enhance convenience and make retirement planning less onerous for their participants by integrating tools into their daily routines. Simple steps such as mapping an individual's retirement plan to routine check-ins and measurements can help anticipate needs and make the experience more personal.

When it comes to experience, our CX survey indicates that consumers value efficiency and convenience more than any other factors. Plan providers that focus on participant experience can help meet what participants value while improving retention and engagement.

---

[3] Nonprofit Transamerica Center for Retirement Studies, Pre-Pandemic, U.S. Employer Benefits and Business Practices, December 2020.

# Diversify revenue sources



## What matters

The retirement industry is at an important inflection point — a number of overarching pressures are mounting, suggesting the likely need to expand boundaries to mitigate these issues.

If firms stick to their knitting, they risk a slow erosion of revenue. Witness the decelerating estimated growth of DC revenue falling from 6.8% annual growth over the last nine years to an expected 3.7% through 2025.[4] This downtick is highlighted by the fact that, as of 2019, mutual funds required twice the assets needed in 2009 to achieve the same level of revenues — putting future revenue pools into question.

On the other hand, diversification offers retirement providers an opportunity to transform their futures, and we believe that those that diversify into multi-product, cradle-to-grave offerings can harness new growth engines and elevate participant retention.

In precedent industry examples, companies have often been able to reaccelerate growth when they looked beyond their current defined market. Rather than trying to gain market share in a shrinking revenue pool, these companies looked to adjacent areas for growth. The retirement industry, in particular, has a cross-sector task involving not only planning and growing wealth but also preparing participants for retirement — and that can create different types of demands and more opportunities. Those that can deliver on these deeper sets of connected interests between financial planning, insurance and healthcare have an opportunity to deliver for their retirement participant, and their own growth agenda.

[4] PwC Market Research Centre analysis based on ICI and DOL data.

## Why now

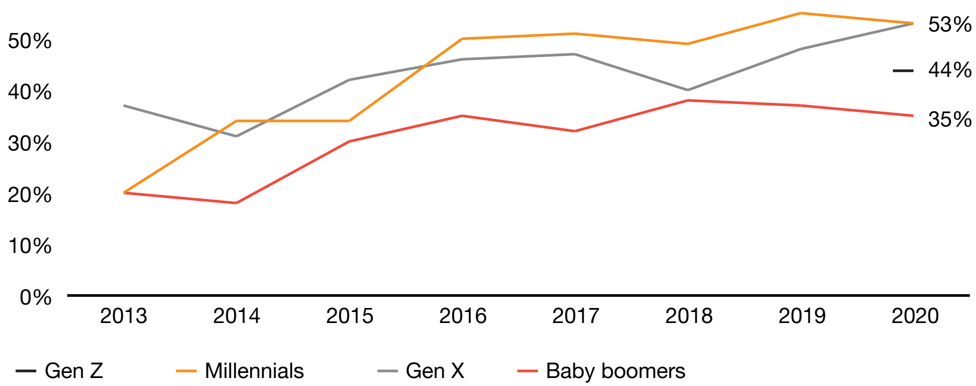
There are trends on both the demand and supply side that are sparking the emergence of a retirement ecosystem, or an interconnected system of offerings from a variety of participating providers. This ecosystem is starting to expose the inadequacy of monoline retirement providers.

On the demand side, both plan sponsors and participants want broader suites of offerings to address a broader definition of life planning — effectively extending benefits to meet needs that may arise during working years and into retirement. Emergency healthcare and elder-/childcare expenses are just two examples of the kinds of financial stresses that participants may face. Addressing these types of needs can be an effective method in helping participants stay on track with meeting overall retirement planning goals while retaining assets over time.

On the supply side, consolidation is reshaping the market. As fees fall and margins compress, firms are targeting deals that build scale. Meanwhile, new players — agile, tech-savvy competitors — are beginning to fill in parts of the ecosystem that incumbent retirement firms have neglected. These firms are capturing stickier revenues with a compelling value proposition and a focus on the participant experience.

Plan providers and investment managers have a great business in the US retirement market given its sheer size and sustainability. But the long-term growth potential will depend on expanding to adjacent markets rather than just building scale. By focusing on the entire retirement ecosystem, firms can better position themselves to meet the broadening range of participant demands.

**Employees who think it's likely they'll need to use money held in retirement plans for expenses other than retirement**




Source: PwC 9th Annual Employee Financial Wellness Survey

**Impact of in- and out-of-industry players on the retirement market**

**PlanSource**

Further development of their platforms — toward the integration of retirement enrollment and servicing, for example — might lead to a disintermediation of record keeping, hindering it as a more commoditized transaction-processing activity.

**Workday**

Although human resources information systems (HRIS) companies already engage in DC enrollment, they often lack key features such as decision support tools. While these have been offered by leading providers, record keepers could be disintermediated once HRIS companies decide to enhance their support tools offering.

Source: PwC, company reports

## Steps to take

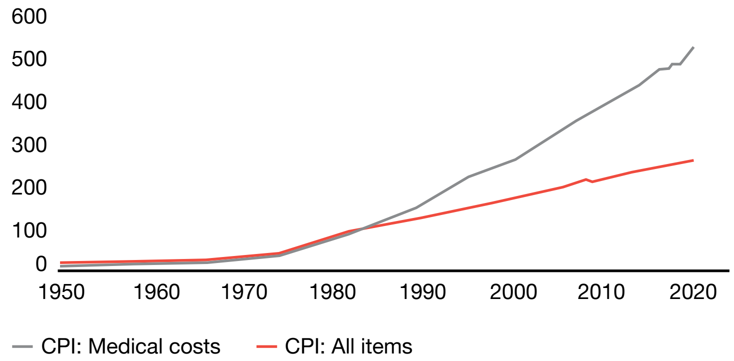
An effective portfolio approach to address a wider retirement ecosystem is key, but that won't come casually. Our insurance team has developed an effective programmatic method that includes 1) strategically identifying your role, 2) making agile buy-build-borrow decisions, 3) understanding varying maturity levels and 4) rethinking reinvestment within an ecosystem construct.

With this structured approach, we see a few areas where retirement firms can expand.

**Extend product innovation with health savings.** There's a clear opportunity in bridging the gap between retirement plans and offerings that help with health savings, especially in light of rising life expectancies and soaring healthcare costs. For participants, healthcare isn't just a large fast growth market, it's a financial problem that's intertwined in planning and wellness goals.

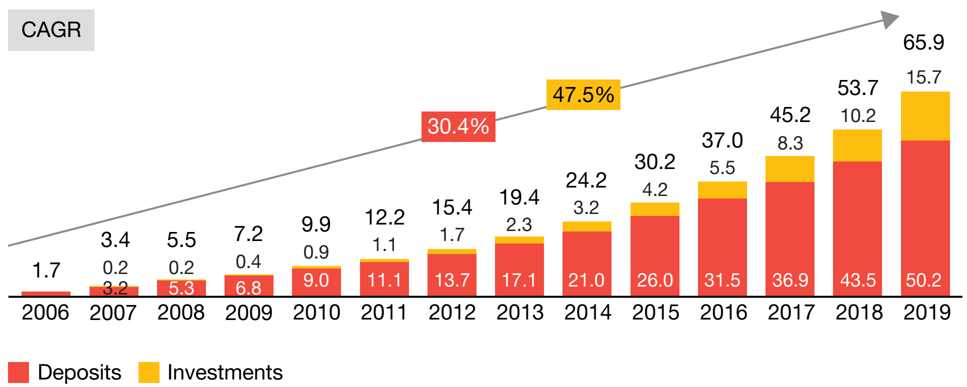
To take advantage of this opportunity, platform providers and record keepers might consider expanding to adjacent product lines such as health savings accounts or other health related services. Depending on the specific product, platform providers can leverage common technology underpinnings such as payroll connectivity to help create a unified employee experience.

**CPI: Medical versus general items (Index 1982-1984 = 100)**




Source: PwC Market Research Centre, Federal Reserve Economic Data

**Health savings accounts assets ($ in billions)**




Source: PwC Market Research Centre, Devenir

**Pursue targeted transactions to solve individualized needs.** The recent wave of industry consolidation has been based largely on scale to find synergies and mitigate the impact of fee pressure.

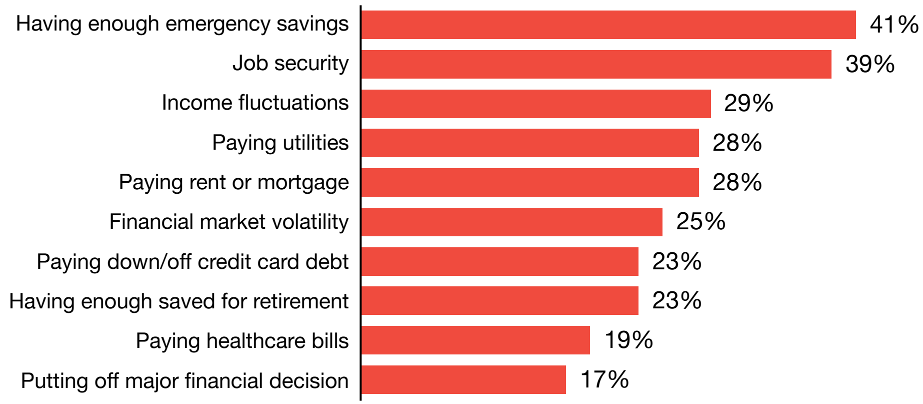
Targeted transactions, whether acquisitions or leveraging a variety of partners within an ecosystem, can give investment managers and plan providers the opportunity to reach a participant from a multitude of different angles. Partnering to leverage digital assistants, for instance, can help improve the participant experience and increase margins. On the other hand, acquiring automated goal-based financial tools might be preferred to leverage the benefits of deep technology integration.

In our work with retirement firms, we've come to recognize that growth shouldn't be limited to the current market. Rather, firms should think about meeting the adjacent interests of participants in order to identify more opportunities.

**Expand beyond financial planning into financial wellness.** The COVID-19 crisis has highlighted the as-yet-unsatisfied demand among plan participants for a broad suite of financial wellness products that can help them live better lives now as opposed to simple traditional post-retirement planning. The biggest gap in perception between employers and employees regarding the success of a company's efforts to support remote work relates to childcare: According to a recent PwC survey, 81% of executives believe their companies satisfy their employees' childcare coverage needs while just 45% of employees agree.[5]

This opens a variety of areas for expansion, such as debt relief and childcare that retirement firms can use to diversify and grow their revenue base. Online tools, credit score guidance and health cost assessments are other angles on wellness that can help not only in reducing employees' financial concerns but also in increasing engagement and asset retention.

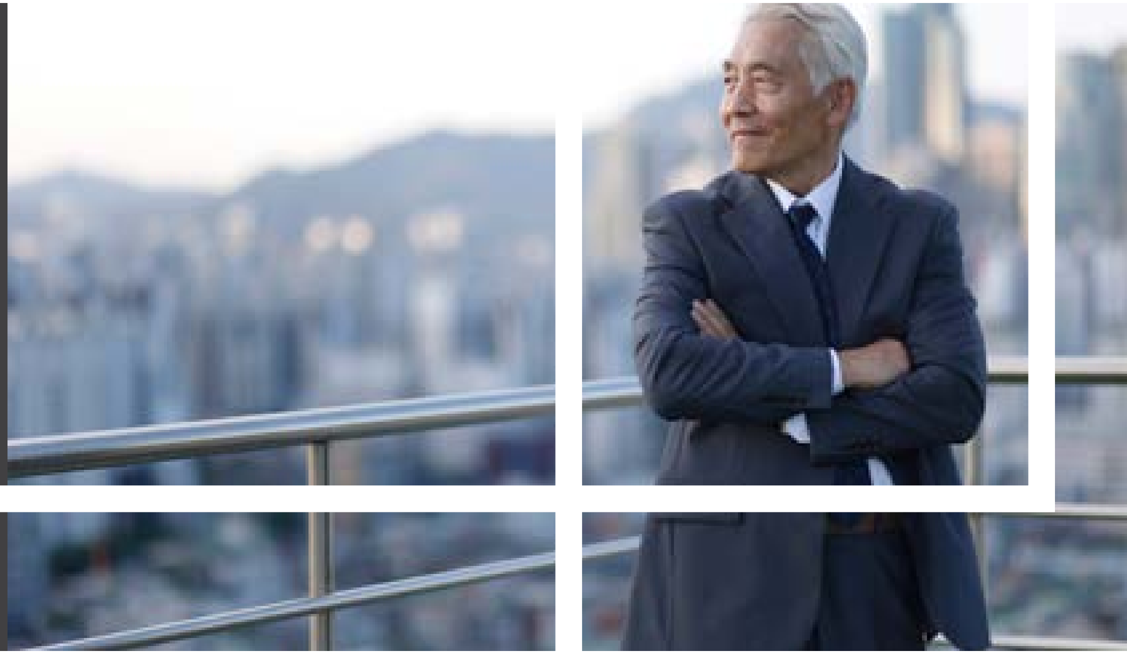
**Considering the COVID-19 crisis, which of the following are among the top five things causing you the most stress?**




Source: PwC Market Research Centre, National Endowment for Financial Education (NEFE)

[5] PwC US Remote Work Survey, January 12, 2021.

# Are you prepared for the market realities?



## What matters

As long as there's a retirement savings gap, there's a growth opportunity. But many of the 59 million adults in the US who don't participate in a retirement plan face competing financial priorities, may be underserved from an advice standpoint, and may lack access to affordable savings plans — complicating efforts for the industry to narrow this gap.

Despite this clear issue, retirement firms have been challenged to find ways to profitably serve these unfulfilled parts of the market. Some are finding that scale — to offset pricing pressures — is a core part of their growth playbook. But scale, clearly, can't be achieved by everyone.

Instead, you may need to adjust how you run your business to reflect these industry challenges. These actions likely involve examining what the market pressures and opportunities might mean for how value is created. For example, we're seeing that many firms continue to cling to the notion of providing everything to everyone — an extremely difficult task as the big get bigger. Instead, you may need to refine what clients you serve and what size plans you offer. Then you have the opportunity to reposition your business model to reflect these changes. Often, such renewed focus on a few defined market segments can more effectively help address unmet needs and deliver sustainable growth throughout market challenges.

## Why now

Today, there are a few mega-size providers addressing a fragmented market, leaving many retirement firms stuck in the middle. One challenge with this: The middle isn't a great place to be. If you don't have size and scale, you might be spread too thin. At the same time, you're probably facing new entrants and modern tech platforms that are disrupting the market by redefining fee structures and participant offerings. On the other end, new distribution models and ecosystems are changing how benefits are delivered. Firms in the middle may struggle to keep pace and might need to retrench and refocus.

We believe that companies seeking to move away from the middle will have to develop an understanding of what the market evolution means for how value is created. Shifting toward one end of the spectrum — a client or product-centric approach — can be a powerful way to combat some of the industry pressures while optimizing costs.

## Steps to take

Recognizing the trends in the retirement space, we see recordkeepers, investment managers and platform administrators taking on different roles — generally pursuing one of two types of models:

Client-centric. We expect platform administrators and plan advisers to adapt to a more client-centric model. Doing so emphasizes a deep knowledge of different client types. Firms can then anchor their go to market approach around specific customer segments and deliver on the needs of the individual participants in each target group.

In most cases, a client-centric approach presents an opportunity to differentiate on experience by knowing and addressing the particular needs of the client.

Product-centric. Emphasizing differentiation and service excellence in a specific part of the retirement ecosystem. Firms that take a product-centric approach will likely need to use distribution scale to their advantage to offset product commoditization and fee pressures. Refining your distribution channel is often one of the first steps to maximize scale efficiencies for a product approach.

Another constantly evolving area is mapping your product offerings to current market trends and customer demands. We're seeing, for example, plan participants indicating a desire to invest responsibly in addition to achieving returns. Combined with the March 2021 announcement by the US Department of Labor indicating that it will not enforce rules that could have prohibited the adoption of ESG investments in retirement plans, we could see a turning point for including ESG products within the retirement realm.

As with any change in a business model, it comes down to execution. But what does this look like from a practical standpoint? The small business market might be the best unmet case study.

As we've stated, nearly 60 million individuals don't participate in employer-sponsored plans. For many, that's due to the cost burden for small businesses to offer plans or the unique needs and competing financial priorities of self-employed individuals. In total, we think these areas can unlock an additional $5 trillion in retirement assets.

If your firm is employing a client-focused model, we recommend looking to address the needs of small businesses. This may entail detailed knowledge of each industry, as well as typical income tiers and life stages of individual participants. Certain small businesses deal with higher turnover, while others may face seasonality issues. Being well informed can give you a better chance of establishing a deeper relationship.

There's also an emerging opportunity to guide small businesses through the evaluation and selection of a pooled employer plan (PEP), which can help lower the costs of an employee-sponsored retirement plan. We expect a variety of PEPs to emerge, with different designs, benefit offerings, and education and wellness resources. As most small businesses have far fewer resources dedicated to employee benefits compared to larger corporations, they will typically rely on more advice around particular PEP decisions and related fiduciary responsibilities that will be in the best interest of the employer and participants.

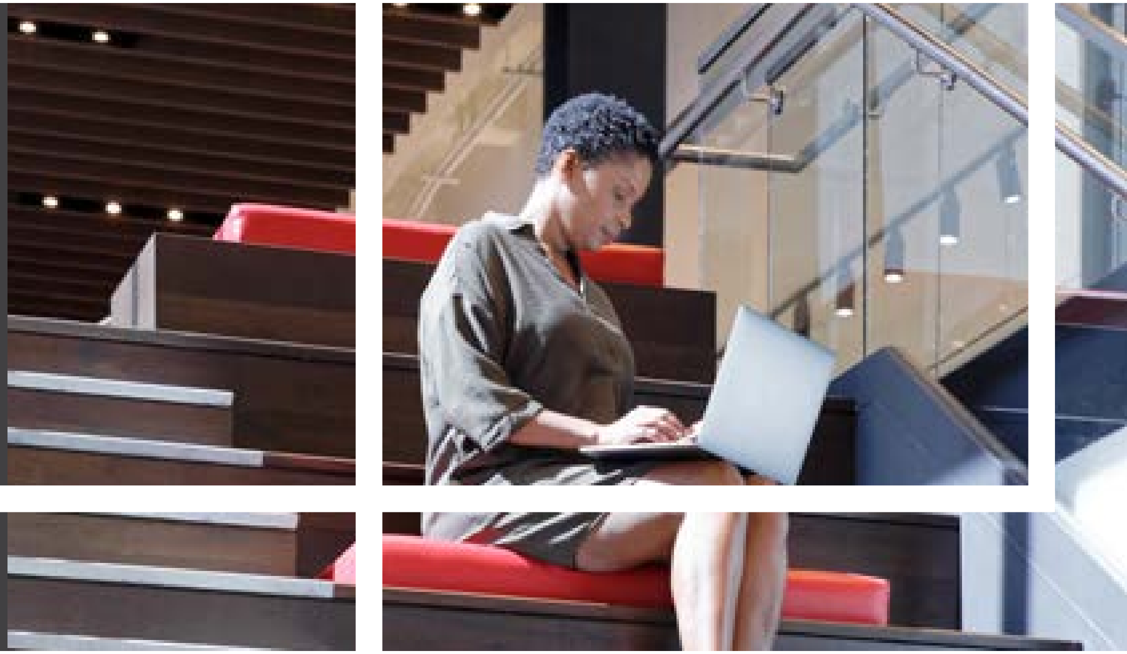
A product-focused approach might address the gaps in delivering PEPs at scale. While PEPs are now officially available[6] asset managers, plan sponsors and record keepers still need to develop PEP solutions in such a way so they're cost efficient and easy for small businesses to use.

PEPs offer a natural way for small businesses to begin to offer retirement plans, but these new customers come with no assets. Product focused companies could look to develop PEPs with simplified enrollment or developed brand-name investment options to ease adoption decisions and quickly scale asset growth.

Any firm that changes their business model or goes down-market to capture the small business opportunity will face challenges involving significant organizational, distribution and capital allocation decisions. There are, however, ways to make this work. With the 401(k) and PEP landscape likely to change dramatically, there will be opportunities in establishing new distribution channels,relationships and developing turnkey PEPs in the market at scale.

[6] PEPs were introduced under the SECURE Act and were available for plan years beginning on January 1, 2021.

# Digitize your business



## What matters

As retirement firms rethink their business models, they're also grappling with another fundamental challenge: How to advance their technology agenda to accelerate profitable growth.

All retirement firms, even the largest ones, are searching for the best path to embrace digital capabilities in order to improve client engagement and retirement outcomes. Many firms are looking to expand the use of data and analytics to deliver highly individualized retirement plan guidance, rather than using a predetermined plan based on set attributes such as age or wealth. And from the cost side, firms are expected to annually improve their cost base through digital programs including automation and self-service tools to offset fee pressure.

For many firms, the goal is to create a cycle in which digital creates the necessary efficiencies to sustainably reinvest in digital as a key component of the business model. We believe addressing plan participant needs in more digitally engaging ways, through a variety of channels and with products and services that extend far beyond retirement income, is one tactic to help solve the unmet needs in the retirement industry.

## Why now

Consolidation and fee pressure in the retirement markets make competitive differentiation difficult to find and hard to fund. Yet, according to a recent Vestwell survey, the most common factors in selecting a retirement plan provider are strong customer servicing and user-friendly experience[7] — two areas that can be highly differentiated with the right digital approach. As plan sponsors see less differentiation around price, the participant experience, and the outcomes it achieves, will play a larger role in vendor selection.

Participants now expect the same always-on technology and highly convenient experiences they find from other industries. In the retirement sector, this means customer service isn't measured only on traditional factors such as average call time. Success also depends on delivering the right customer experience at the right time. And with retirement plans consisting of participants in multiple life stages, one experience **does not** fit all.

Digitization can help firms find the right balance between reducing costs and building engaging experiences. Without it, there's no way out of the ongoing growth and profitability squeeze in the retirement industry.

---

[7] Vestwell, 2020 Retirement Trends Report, November 2020.

## Steps to take

**Digitize participant offerings and experiences:** Digital technologies can drive higher participation, improve the effectiveness of advice and inform product roadmaps with insight into participant needs and desires.

We recommend that smaller retirement players invest in a common technology backbone that enables them to access and leverage larger ecosystems of providers. This will likely include interconnected benefit offerings that can deliver value to participants and generate economies of scale.

**Digitize participant servicing:** Retirement firms can use digital in a variety of ways that ease access and build participation. Digitizing the enrollment process can improve participation through group mobile enrollments. Analytics can parse participant data to develop individualized outreach programs and proactive advice at various life stages such as meeting underserved populations with the right offer, at the right time. Digital platforms and mobile apps open additional service channels and allow firms to offer the proper mix of self-service, automated advice and human interaction. But the ideal approach is different for each channel. Call center reps, for example, should know who they're speaking with, the mobile channel should focus on an intuitive experience and self service should be on point when the participant expects a do-it-yourself experience. It's no easy task getting there, but each channel should perform as the participant expects.

**Digitize and cloud-enable the platform:** Firms with multiple legacy technology environments may need to consolidate and modernize their systems to enable consistent, quality experiences and keep the level of the investment in check. A modernized infrastructure, including a consistent single view of the customer, can help firms better understand the individual situations and the needs of participants and to then develop appropriate services. It is also a prerequisite for partnering with other providers to diversify revenues, or to seek an exit in a consolidating industry.

Finally, digital technology can enable the delivery of more expansive benefit offerings. AI and analytics technology can help participants understand competing financial priorities to help address challenges in savings, and allow you to develop simple alert mechanisms into products to provide targeted financial education.

**Prioritize digital investments by impact and value:** Investment dollars are limited and participant traffic is relatively low (often, only one visit per year), so we recommend prioritizing your digitization efforts and concentrating on areas that can produce the greatest value for your clients, plan participants — and your firm.

In terms of prioritization, investments in self-service technologies that allow participants to meet some of their own needs without involving an advisor, service center or call center are often a good place to begin. We recommend following up with AI-driven communications that, for example, remind participants to increase contributions and savings. These technologies offer large returns because they not only reduce costs but also enhance participant access and convenience.

Firms that struggle with poor data quality and accessibility should consider prioritizing system consolidation and modernization. This may eliminate high hurdles in the pursuit of greater personalization and more compelling participant experiences.

For recordkeepers, migration to a cloud-first platform is an essential first step toward capturing the benefits of digitization. Cloud-based systems enable the adoption of predictive analytics, which in turn, allow providers to optimize plan administration, address participants' financial needs and boost ROI.

# Contacts

**Olwyn Alexander**
Global Asset and Wealth Management Leader
Partner, PwC Ireland
+353-1-792-8719
olwyn.m.alexander@pwc.com

**Jay Kaduson**
Principal, PwC US
617-448-0021
jay.kaduson@pwc.com

**Andrew Thorne**
Partner, PwC US
617-905-4957
andrew.thorne@pwc.com

**Veronika Torarp**
Director, PwC US
612-300-7575
veronika.torarp@pwc.com

**Bernadette M. Geis**
US Asset and Wealth Management Leader
Partner, PwC US
617-955-1997
bernadette.m.geis@pwc.com

**Juneen Belknap**
Principal, PwC US
617-312-9463
juneen.belknap@pwc.com

**Arjun Saxena**
Principal, PwC US
917-543-6256
arjun.saxena@pwc.com

**Drew Harger**
Director, PwC US
847-951-9325
drew.harger@pwc.com

**Julien Courbe**
US Financial Services Leader
Principal, PwC US
917-859-1800
julien.courbe@pwc.com

**Michael Horvath**
Principal, PwC US
734-417-8691
michael.j.horvath@pwc.com

**Lisa Herrnson**
Managing Director, PwC US
516-445-8266
lisa.b.herrnson@pwc.com

**Aaron Schwartz**
Director, PwC US
646-647-4060
aaron.m.schwartz@pwc.com

We would like to thank John Siciliano, senior advisor to PwC US, for his contributions to this report.

www.pwc.com