From Chaos to Clarity:

Overcoming Negative Emotional Responses to Financial Information

THIS ARTICLE EXPLORES how one U.S. financial firm, TIAA-CREF, discovered that usability testing could shed light on the quality of financial information they sent out to investors. TIAA-CREF is a nonprofit investment company that manages retirement funds primarily for teachers, professors, scientists, physicians, and researchers. They currently hold $542 billion in assets and serve 4.8 million investors. For decades, they have enjoyed a high level of trust among their participants. However, a 2007 study conducted by The Plain Language Group for TIAA-CREF showed how poor information design and a lack of plain language not only left people confused, but also undermined their trust in the organization and their confidence in pursuing their financial goals. The results of our study revealed that weaknesses in the design of key financial documents can raise customer apprehension and create unintended, negative emotional responses to financial information.

According to the recent Edelman Trust Barometer (*2013 Annual Global Study: Financial Services Industry Findings*), 54% of Americans do not trust financial institutions. Much of that mistrust is likely a result of the worldwide financial crisis of the past seven years. However, even in our 2007 study discussed, trust was a key factor in consumers' response to investment information.

Trust is a vital element in financial decision-making, whether one is turning a check over to a banker or asking a broker for investment advice. A consumer study by Sapienza and Zingales (2009) reported that "investor trust" is the most essential quality for a financial services firm, outranking performance.

Trust and Written Financial Information

The relationship between trust and the quality of written information in financial documents has been noted both by academic and industry research. If a firm advocates for its clients, clients will reciprocate with their trust, loyalty, and purchases—either immediately or in the future. This loyalty comes when firms provide clients with open, honest, and complete information that they can understand (Urban, 2004). Clients' lack of trust is directly related to the kind of language used in financial information. For example, a survey of 1,200 investors/homeowners discovered that 84% of respondents did not trust companies that used a lot of jargon (Seigel & Gale, 2009).

In a study conducted in 2005 at Stanford University, students were asked to read the same information presented in three levels of complexity, from relatively simple to moderately complex to extremely complex (Oppenheimer, 2005). The results revealed that the more complex the writing, the less respect the readers had for the writer. We can conclude then that the quality of written communication either contributes to—or detracts from—the trust an individual has in a financial institution. In our study, we learned that trust was only one of the many emotional responses investors have when they read financial information.

TIAA-CREF Study

TIAA-CREF had sent a letter to participants nearing the age of 70.5—the age when retirees must take a minimum amount of money from their Individual Retirement Account (IRA), called a minimum distribution. The main purpose of the Minimum Distribution Option (MDO) letter was to encourage participants to call TIAA-CREF to learn about the required minimum and the options they could take with their IRAs. However, the first week after the letter went out, the company received some 10,000 calls from participants who were confused and upset because they did not understand the letter, nor what they were to do.

This led TIAA-CREF—an organization committed to clear communication—to set a goal to test the MDO letter (among other documents) and use the results of testing to redesign the letter.

Development of the Project

TIAA-CREF approached The Plain Language Group with this project both because they hold our retirement funds and because of our plain language expertise. The original letter presented several issues. The letter:

- was 1.5 pages long, even though the primary purpose was just to get participants to call and talk with an investment advisor to determine how to meet the requirements of taking money from their IRA account;
- included in the first paragraph an underlined, bolded sentence that tended to "frighten" readers, which began, "The IRS requires….";
- contained a dense paragraph of numerical information that was extremely difficult to understand; and
- generated call-ins by participants who were nervous and uncertain about what they needed to do.

We interviewed 13 participants (nine aged 65+ and four aged 40+), most of whom were PhDs and all of whom had their retirement funds held by TIAA-CREF. Using common usability testing methods, we did the following:

- conducted one-hour, one-on-one interviews
- used a "talk-aloud protocol"
- asked questions
- videotaped/audiotaped
- took notes during interviews
- noted patterns of responses
- observed with representatives

During the one-on-one interviews with participants, three employees from the marketing department at TIAA-CREF observed the interviews.

For many of our questions, the answer could be found in the letter:

- What must you do next after reading the letter?
- What is "lifetime retirement income" as mentioned in the letter?
- What, if any, follow-up communication would you expect after receiving this letter?
- Do you have to explain this letter to a spouse or partner?

Other questions related to the emotions of the participants:

- How do you feel as you read this letter?
- Would you know what action to take after you received this letter?
- What do you think would happen if you didn't respond to this letter?

This letter proved to be very problematic (see Figure 1). Not only was the content difficult to understand, but also (and maybe more interesting), many of the participants apologized for not being able to understand the information. Most people who hold PhDs are used to reading and understanding what they read. They are not accustomed to admitting they do not understand. One participant, who represented the responses of many of the interviewees, came back after the interview to apologize profusely for letting us down because he could not understand the letter, stating, "I know I should be able to understand this, but I don't." Simply put, many attributed their inability to understand to their own inadequacies.

Attribution Theory and Empathy

Attribution theory is a field of social psychology concerned with the how people explain (or attribute) their behavior and that of others. Generally, in situations where behavior does not bring the desired results, people either blame themselves or they blame others. In our study, participants blamed themselves for not understanding the letter rather than blaming the company that produced the letter. On the other hand, the Stanford study (mentioned earlier), indicated that the more complex a text, the more likely readers are to blame their confusion on the writer. But whether the blame falls to the reader or to the writer, either situation erodes a reader's level of trust and creates negative emotions.

In fact, the three observers from TIAA-CREF all commented immediately on how difficult the task appeared to be for these participants. In particular, they noticed the interviewees' discomfort. It had never occurred to the company that reading financial information could be a source of such emotional stress. Or, perhaps, they had just never seen the emotional response to financial information. They were particularly concerned about how many participants blamed themselves for being confused about the content of the letter.

In addition, it became clear that the letter lacked an empathetic tone. Empathy is a critical factor in projecting a helpful tone. Corporations would do well to focus more on empathy in their written communication. In 2005 Daniel Pink, who writes extensively about workplace issues, described six areas critical for success—one of which was empathy.

Areas of Confusion

Although the participants aged 65+ recognized that the letter was important, they were confused about:

- what action they had to take
- the timeline for when the monetary distributions would begin
- the options they had for taking their minimum distribution

Begins with MDO without defining terms and mentions the IRS (which caused readers stress.) Underline and boldface in the second sentence evoked fear that the readers had done something wrong.

Dear Participant:

Since you are at least age 70½ or older in 2006, we are notifying you about the IRS federal minimum distribution requirements. **<u>If you receive lifetime retirement income or Minimum Distribution Option income from your entire accumulation in 2006, you will satisfy the federal requirement and do not need to read any further.</u>**

Gives definition after first introduced above. This confused readers by telling them exceptions before telling them the main point.

Generally, minimum distribution requirements state that once you reach age 70½, you have to to receive a minimum amount of income from your retirement accumulations each year. (After-Tax Retirement Annuities and Roth IRAs are not subject to the minimum distribution rules.) If you do not meet these requirements on a timely basis, you could be subject to a 50% excise tax on the amount you should have received as income.

Uses only one heading that is formatted like the second sentence like the two have the same function and weight.

<u>When must you begin receiving distributions?</u>
The amount you must receive and the date by which you have to receive income depends on several factors including your age:

- **If you turn age 70½ this year**, federal minimum distribution rules generally require that you receive some income from your retirement plan accumulations by April 1 following the year you turn 70½ — April 1, 2007 — or the April 1 after the year you retire,* whichever comes later. Although April 2007 is the deadline, you can receive your minimum distribution in 2006. If you wait until 2007 to receive your minimum distribution for 2006, you will receive two payments in 2007. One payment will satisfy the minimum distribution requirement for 2006 and another payment will satisfy the 2007 requirement.

Gives numerical information in dense paragraph, which caused confusion.

Continues with insider language, which frustrated readers.

You must also begin receiving income by April 1, 2007, regardless of your employment status, from any accumulations in TIAA-CREF's Traditional IRAs or other companies' traditional IRAs, or from qualified plans (including Keogh plans) if you are a 5% owner of the plan.

- **If you turned age 70½ before 2006**, you must receive enough income by December 31 of each year to satisfy minimum distribution requirements. Keep in mind, even if you have already received some income from your TIAA-CREF accumulations this year, you may need to take an additional distribution.

Introduces new information about MDO without linking this information to the purpose of the letter.

If your goal is to preserve your estate, you may be interested in TIAA-CREF's Minimum Distribution Option. Here, TIAA-CREF automatically pays the minimum income the IRS requires each year. For more information on this option, please review our brochure, *"A Guide to TIAA-CREF's Minimum Distribution Option"* which is available for viewing and ordering on our website at www.tiaa-cref.org (in the Publications section).

Should be more emphatic so readers know they MUST call to set up an MDO.

If you have questions about your specific requirements and what steps you may need to take to receive the required amounts, please call us at 800 842-2776. Consultants are available to help and review the options available to you

Figure 1. Original TIAA-CREF Minimum Distribution Option letter (first page)

- the meaning of several key words in the letter
- the amount of money they had to ask for to get what they needed (often neglecting to factor in the 20% IRS withholding)

Participants' responses fell into these general patterns:

- how easily they could or could not understand the *content*
- how the document affected their *emotions*
- what problems they had or did not have with *vocabulary*
- what questions or concerns they had about the *process*

Key Findings

Content

Participants found much of the content confusing.

- "I don't understand the underlined passage." (This passage was ostensibly the most important sentence in the letter.)
- "If I don't retire, do I have to do this?"
- All participants understood the consequences of not responding to the letter ("penalties"); three said they would call as directed, but one participant indicated he would do nothing despite knowing penalties were involved because he was confused.
- Despite that participants must be retired to receive these benefits, two participants thought that they could receive benefits even if they were still employed rather than retired; the other two did not know what to do if they were still employed when they received the letter.

Emotions

All participants exhibited varying levels of distress and discomfort expressed through words or body language.

- "This document has me frustrated a bit. I think this is going to take a long time, and I'm really approaching retirement. I also worry for those who might be less able to do this. I think they may be very overwhelmed by this."
- "This bolded sentence scares me."

Our users squirmed in their seats, rubbed their necks or faces, sighed deeply, and exhibited a variety of nonverbal signals that indicated discomfort. One participant stood for almost four minutes at the end of the interview, apologizing over and over again for his inadequacy. Another said she would not even attempt to understand the documents, but would immediately call her financial planner. Some were less verbal, but all mentioned that they felt they *should* have understood the information, but could not. All reacted emotionally even as they struggled with the logic of the information in the letter.

Words

Participants had a difficult time understanding specialized words and phrases in the letter, which caused frustration. In particular, they did not understand what was "optional" about the minimum distribution option. We saw how language that company employees might have assumed was obvious was unclear to the participants.

- "'Lifetime retirement income'? Not sure what that is."
- "'Minimum Distribution Option'? Don't know what the 'option' is."

Eight of nine participants aged 65+ did not know the meaning of "lifetime retirement income" nor what "Option" referred to in the title of the letter.

Processes

Participants understood that they should call the company as the letter directed, but they were confused about the time frame for taking their minimum distribution.

- "I wish this stuff about all these dates were in a table so it's easier to read."
- "What lead time do you need? Three months prior to when you'll need the income?"

Eight of nine participants aged 65+ expected a reminder to respond closer to age 70.5, but the company did not send such reminders.

Revision and Redesign

The means to improve the document became quite clear during the course of the interviews. Many changes were a direct result of comments from the participants ("put numbers in a table") and from the evidence-based standard practices for plain language and information design, including:

- Foregrounding the purposes of the letter: alerting participants to an IRS regulation and getting them to call the company right away to meet their federal reporting obligation, but without making them think the IRS was "after them."
- Reassuring participants that the company will discuss their individual situations when they call.
- Eliminating all the information in the letter that can be more effectively conveyed through the subsequent telephone call.
- Eliminating or clearly defining the financial and legal jargon.
- Making the process of responding clearer.
- Using a more helpful tone.

We tried to convince the company to send a one-paragraph letter that would explain the situation (federal requirement) and that simply asks participants to call within one week to discuss their options. But this approach was too contrary to the organization's idea of a letter.

Unintended Consequences

The redesign of the Minimum Distribution Option letter for TIAA-CREF resulted in a significant increase in the number of positive calls (see Figure 2). As noted earlier, when the letter was first distributed, TIAA-CREF received a significant number of calls in the first week from frustrated, confused participants. After the redesigned letter was mailed, TIAA-CREF reported to us that more than 90% of the calls were positive. Participants understood the letter, knew they needed to call and make decisions, and were able to more easily select the appropriate option to satisfy the MDO requirement.

But perhaps more significantly, the participants who called their advisor had such a good response to the letter and to the conversation that it brought millions of dollars of new money into the company. That is, because participants had such a positive *emotional* response to the letter and the conversation—which increased trust—many were motivated to move new money into their current investments. This latter result was a complete shock to the company. Although one of their goals was to be sure that the letter and the subsequent phone call were positive experiences for their participants, increasing revenue was never one of the goals. The laws of "unintended consequences" usually focus on what ends up going wrong; in this case, everything went right.

Kevin Brown
Vice-President, Client Services

September 1, 2007

<Participant Name>
<Address 1>
<Address 2>
<City, State, Zip>

Dear Client:

Begins with the purpose of the letter. Eliminates the bold, underlined sentence which caused negative emotional responses because of the intensity of the formatting. Also explains what "minimum distribution" is — "taking income."

We are writing to you because you are subject to the minimum distribution requirements of the Internal Revenue Code. Under these rules, once you turn age 70 ½ you must receive some income from your accounts each year.

Reduces what had been a dense paragraph to two sentences and a brief table.

Since you are or will be 70 ½ or older this year, you need to receive at least a minimum amount of income. The following shows when you need to receive this income based on your age:

If you turn 70 ½	Your minimum distribution income
in 2007	by April 1, 2008
in 2006 or earlier	by December 31, 2007

Briefly explains what TIAA-CREF can do to help the investor satisfy this requirement.

Our retirement planning specialists are available to help explain how this applies to you. We can work with you to determine the minimum amount you need to receive and provide helpful guidance on the appropriate retirement income strategy for meeting your needs while satisfying the rules. Even if you're already receiving some income from your tax-deferred accounts, our specialists can review your situation and evaluate whether you may need to receive additional amounts.

Ends with explicit call for action prompting the investor to call. Also explains the length of time needed to set up the withdrawals.

Your next step is to **call us at 800-842-2776** for your minimum distribution review. Because it can take about three months from when we begin reviewing your options with you to setting up your minimum distributions, we encourage you to contact us as soon as possible. Our retirement planning specialists are available Monday through Friday from 8 a.m. to 10 p.m. and Saturday from 9 a.m. to 6 p.m. (ET).

Sincerely,

Kevin Brown
Vice President, Client Services

Figure 2. Revised TIAA-CREF letter

Conclusion

What we learned had less to do with how to revise or redesign a document, but far more to do with understanding the emotional impact written financial information has on readers. In fact, people read not primarily with their intellect or logical brain, but far more with their emotional brain. Thus, information design and plain language are, in our opinion, not only about creating documents that make it easy to find, understand, and act on the information, but also creating documents that are emotionally satisfying by being trustworthy, helpful, and empathetic. i

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