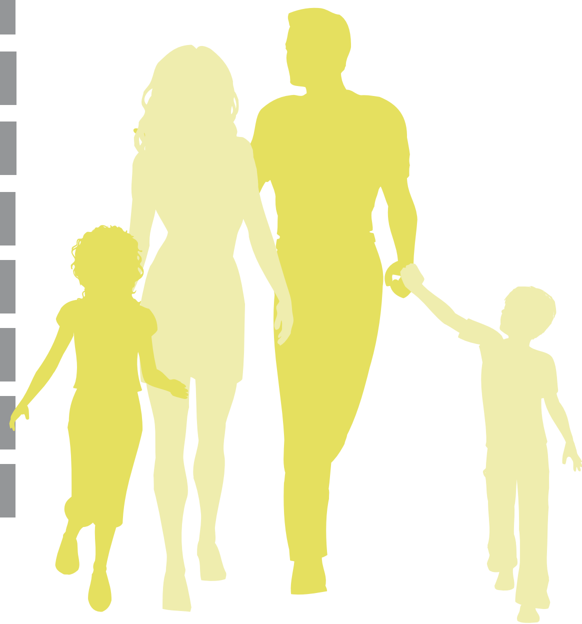
1	TEACHABLE MOMENTS
2	JUST-IN-TIME EDUCATION
3	UNDERSTANDING BANDWIDTH
4	RULES OF THUMB
5	DEFAULTS
6	SMART DEFAULTS
7	TRANSLATE FUTURE INTO PRESENT
8	UNDERSTANDING TRADE-OFFS
9	THE RIGHT INCENTIVES



KEY CONCEPTS FOR ENGAGING WITH OUR MEMBERS

1 The first is the idea of **teachable moments**. The reality is that there are moments in time when people have a higher vested interest in listening to and learning about what they need to know so that they can actually act on it. We stand a better chance of getting people to understand a problem if we harvest that teachable moment.

2 The second concept is about **just-in-time education**[2] . This builds on the insight that even the most financially literate among us are unlikely to be able to apply something they learnt over time, if there weren't opportunities immediately available to apply that knowledge. Just-in-time education provides exactly the information you need (and no more) to the problem you want to address at the time when you need to address it.

2 Lynch & Woodward (2009).

3 Mullainathan and Shafir have highlighted the point that as an individual enters into a more and more stressful situation, whether it's a point in time (life crisis) or state (poverty), their decision-making skills or **bandwidth** are severely affected[3]. This means we need to completely rethink how we approach this educational problem in terms of how we communicate complex concepts.

4 We know from Drexler, Fischer and Schoar that standard fundamentals-based teaching doesn't lead to meaningful or lasting results in behaviour changes. But if we can create a set of heuristics, or **simple rules of thumb** that investors can use, this has been shown to produce the kind of demonstrable behaviour changes that we are looking for[4].

5 We also have to think carefully about what decisions are best left on autopilot and where it is that defaults simply won't be able to address a problem. In **Part 2, Chapter 3** we discussed this distinction.

6 Where we need to introduce solutions that better address an individual's specific circumstances, we need to combine the concept of nudging[5] with just-in-time education to create **smart defaults**[6]. Here, you can use the additional information an individual might provide to limit the range of options they could choose from and not seriously prejudice the outcomes.

7 To make the decision making around these smart defaults that much more effective, we have to provide two extremely important facilities:
First we need to be able to translate decisions that only begin to affect an individual's life in the far distant future, into some **present value** for an appropriate comparison. In other words, if I do this today, even though it won't affect me until 20 years from now, how do I translate that into today's terms?

8 Second we need to provide tools that allow individuals to understand the **trade-offs** between options: if I cash out my retirement money to buy a new car instead of preserving it when I change jobs, how will that affect me over time?

9 We have to understand what **incentivises** people to make the decisions they do and how we can capitalise on this understanding to get people to do the right thing. In addition, we need to have some insight into what the right thing might be for an individual at each of life's key milestones – but this alone is not enough.

In summary, we need to give individuals a workspace where they can stress-test their financial priorities. In doing so, they will learn to identify which decisions will have the greatest impact.

3 Mullainathan & Shafir (2013)
4 Drexler, Fischer & Schoar (2010)
5 Thaler & Sunstein (2008)
6 Goldstein, Johnson, Herrmann & Heitmann (2008)

Addressing the technical challenges

Armed with our toolkit of key concepts, the next challenge is to determine how far we can use technology to address three important questions:

1

How do we start a conversation with that individual member?

a. When possible, this conversation has to start before the member even signs their employment contract.
b. The member needs to be able to come back each year, or at any point in time, to a site (ideally electronic) that represents their own workspace or testing ground or storage vault for decisions.

Each individual member needs their own portal into a workspace that could track first their employment and then, at the same time, their financial journey.

2

How do we maintain an ongoing dialogue with that member so that they can determine how they are doing on their journey and what they could do to enhance the ride?

Smartphone? Employer on-site kiosks? Such concepts have their own challenges, but we must find solutions.

This portal needs to be accessible – if possible, at all times, even to people without access to the internet. It means we have to find multiple avenues, using multiple technologies – old and new – to create multiple touch points.

3

How do we develop a framework that guides individuals on how to pack their suitcases given the resources available?

How do we help them determine when they really need something for that suitcase and when they should perhaps remove that item to make space for something else?

We need to give people an optimisation capability that lets them weigh up the trade-offs they face and understand the potential outcomes of their decisions.

Adopting these concepts would represent a sea-change in thinking about how the average individual could begin to interact with both their employer (and their full range of benefits) and their financial services provider. And therein lies the potentially greatest challenge: convincing those parties to help facilitate the delivery of such an offering. We know two things though, without their constructive participation, delivering this essential support will fail. And if this safety net fails to hold, South Africa as a whole will suffer.