



# Technology Supporting Advice

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# Agenda

- Advice Strategy
- Building Society's Financial Resilience
- Our journey so far

# Advice Strategy



# Building Society

## KEY DRIVER / TREND



Despite the economic recovery, many households are still feeling the squeeze.



Record low interest rates are leading to disengagement and apathetic attitudes to savings



People's distrust of financial institutions, a lack of understanding and financial skills has led to low levels of engagement



Digital and technological developments are changing modern life. Whilst offering opportunities to promote engagement with financial services they also prevent the risk of creating new barriers.



RDR has reduced the availability of mass market financial advice leading to individuals, particularly less affluent ones not having a trusted partner to assist them.

## IMPLICATIONS

- 1 in 6 people are over indebted (CACI, 2015)
- 13m do not have enough savings to support them for a month if they experienced a 25% cut in income (Financial Inclusion Commission, 2015)
- 35% have experienced an income shock in the last 5 years (MAS 2014)

- 16 million adults have less than £100 in savings (MAS)
- 5 in 10 have a mindset that focuses on current wants at the expense of providing for the future (MAS)

- Only 50% of people with families have life cover (MAS)
- 50% of people of households in the bottom half of income distribution do not have contents insurance (Financial Inclusion Commission, 2015)
- 40% of people do not understand the impact of inflation on the real value of money (MAS)

- 93% of adults have a mobile phone and 77% have access to broadband (Ofcom, 2014)
- 61% of people chose to do their banking or pay bills online (Ofcom 2014)
- 2.3m people aged over 70 are registered for internet banking (British Bankers Association, 2014)

- 1 in 4 do not know where to turn for advice (MAS)
- 69% of advisers ... turned away potential clients over the last 12 months. The most common reason for this was affordability (Association of Professional Financial Advisers )

## OPPORTUNITY

As a result of these trends and the implications on individuals an opportunity exists to **BUILD** a more financially resilient and capable **SOCIETY** **NATIONWIDE.**

A society where

- Individuals are encouraged to save, even in small or irregular amounts to build resilience form financial shocks and as an additional resource for retirement
- Individuals understand the need for and have access to the right insurances for their needs, at a fair price
- Individuals have access to objective and understandable advice on debt, savings, insurance and investments

# Automated Advice

- The protection and investments propositions play an important role in deepening Society membership – with significant member cross holdings within the savings and mortgage base.
- Our vision is to provide **advice to the mass market**, enabling protection, savings & investments automated advice and ensuring all members understand their financial needs and have an appropriate plan in place



## Building Thriving Membership

- Bringing membership to life in a mobile world, turning the transactional and everyday into something truly valuable and exceptional



## Building Legendary Service

- Providing branches with mobile tools that help our colleagues surprise and delight our members with outstanding solutions and legendary service
- Delivering advice with their more complex financial needs regardless of wealth



## Building PRIDE

- Creating mobile tools to make our people more efficient and feel more confident supporting our members in their journey



## Built to Last

- By augmenting an economically sustainable proposition with a focus on reducing risk through automated solutions delivered in a mediated environment



## Building a National Treasure

- By owning the end to end customer journey with consistent branding throughout and with clearer engagement with members



# Building society's financial resilience



# Building financial capability

An opportunity exists to **BUILD** a more financially resilient and capable **SOCIETY NATIONWIDE**. - A society where:

- Individuals are encouraged to save, even in small or irregular amounts to build resilience form financial shocks and as an additional resource for retirement
- Individuals understand the need for and have access to the right insurances for their needs, at a fair price
- Individuals have access to objective and understandable advice on debt, savings, insurance and investments
- Help and support is available and delivered via the channel most suited to that individual

We will do this by focusing on helping people to improve their situation (net worth and net disposable income) as outlined below:

1. Enablers – ease, transparency, connectivity
2. Stance – improve behaviours and motivation
3. Skills – improve knowledge and education
4. Situation – higher net worth and disposable income and ensuring its protected



Source: The financial capability of the UK by the Money Advice Service

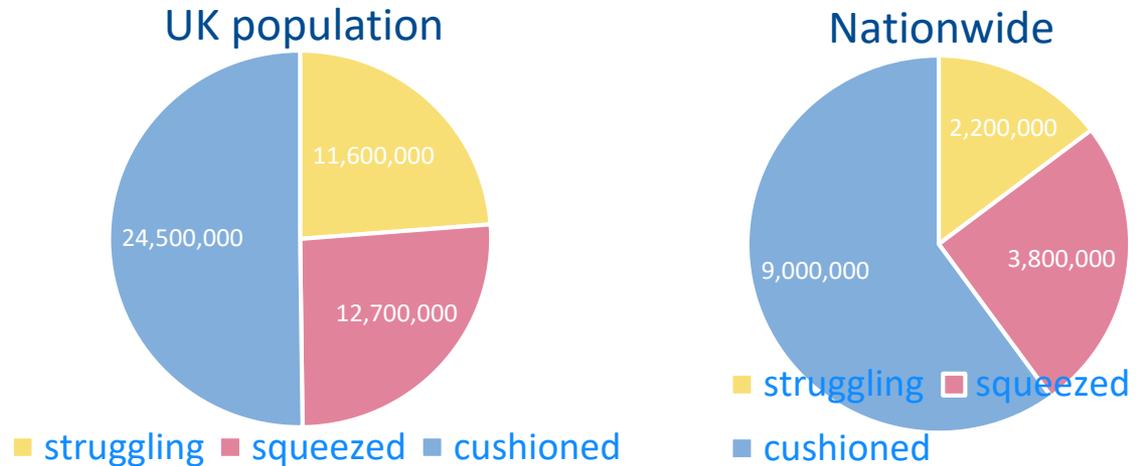


Source: The UK'S financial capability report by the money advice service

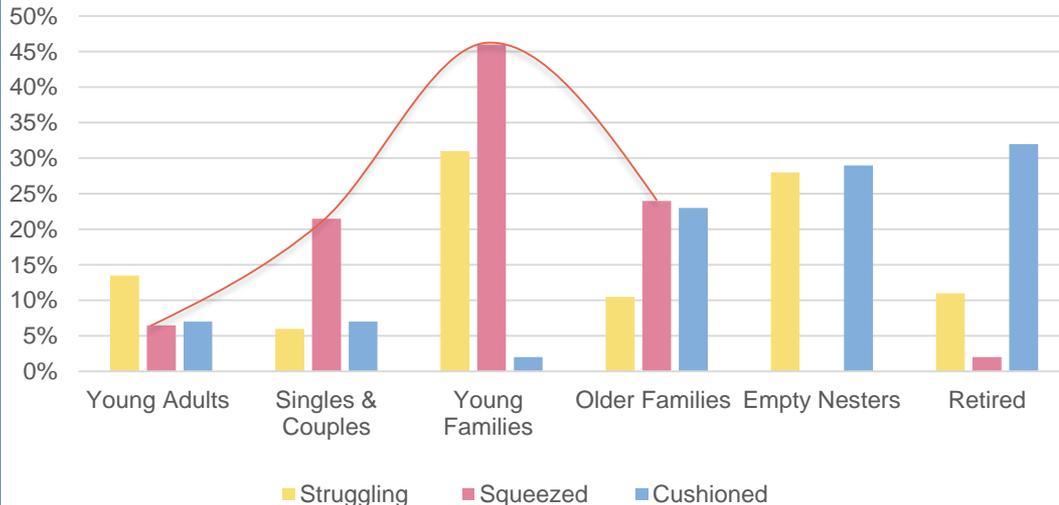
# Building financial resilience

Financial resilience is defined as the ability to withstand a variety of financial 'shocks', based on a combination of income, savings, protection and credit usage.

The Money Advice Service has identified three macro segments, from 134 existing Fresco microsegments which have been mapped against NBS's member base

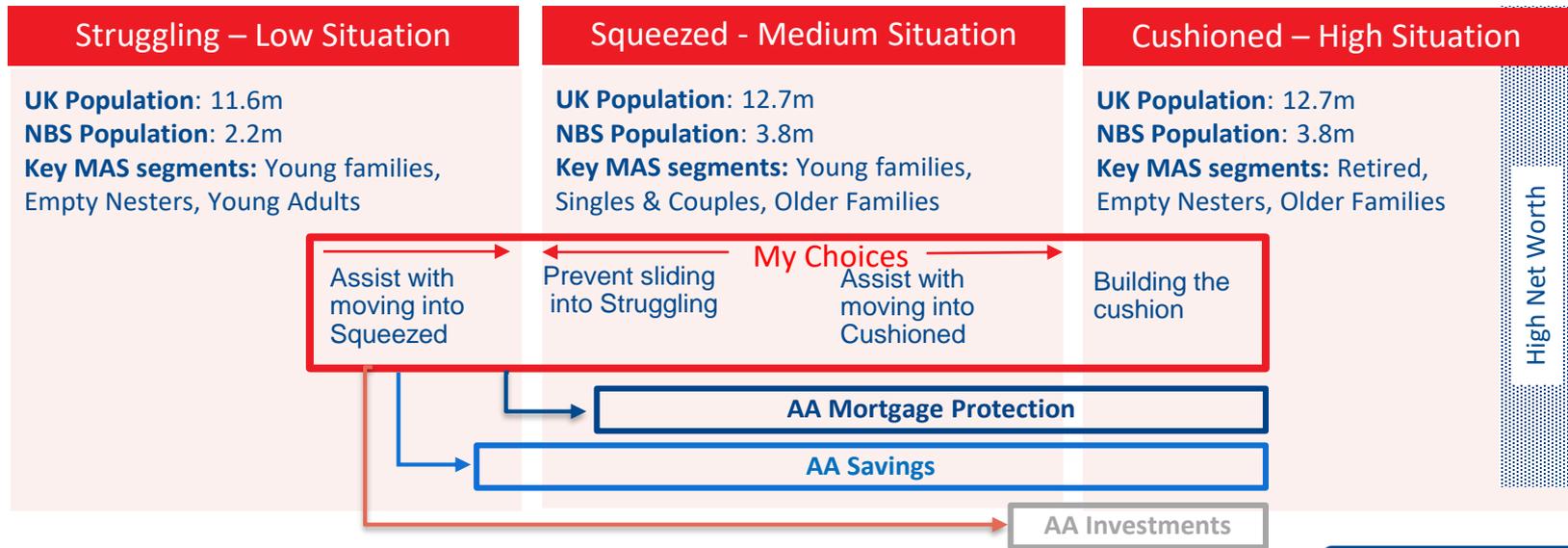
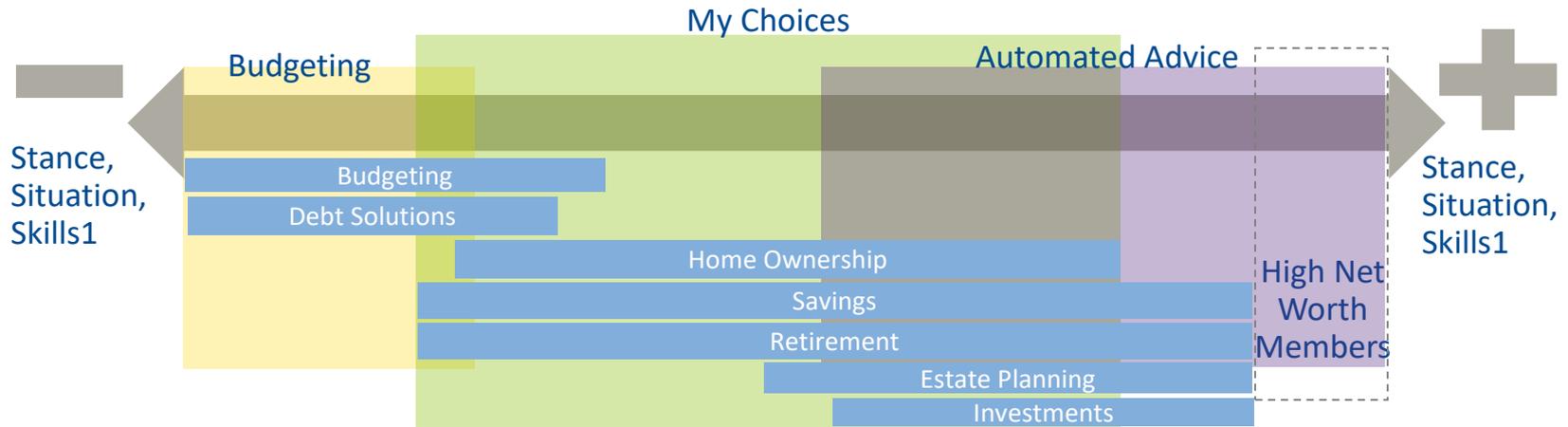


**Lifestage distribution by MAS segment**



- Cushioned – Higher incomes, wealth, savings and confidence but still fallible to negative life effects such as redundancy, divorce and ill health
- Squeezed – Highly digitally connected, of working age and often with families with moderate financial skills and knowledge. Tend to be living with debt and where savings do exist they tend to be for shorter term goals leading to a tactical rather than strategic approach to money.
- Struggling - Lower incomes and financial skills as a result of which ¼ are over indebted with multiple debts and often resigned to never paying off

# Moving along the capability spectrum



Stance: Motivations, Behaviours and Interest in engaging in financial discussions  
 Situation: Assets, Liabilities, Income & Expenditures  
 Skills: Financial Knowledge, Education, Numeracy & Literacy

**Control & Flexibility**



I need to feel that I am in control of my savings / finances and that I have the flexibility to respond to future changes in my circumstances to stay in control.



**Impartiality & Transparency**



I need to trust that any recommendations are in my best interests, and that there are no catches.



**Confidence to Save**



I need to confidence – certainty and reassurance – to make decisions regarding my savings.



**Appropriateness (Personal)**



I need the solution to be appropriate for my financial capability – my financial skills and stance, and my circumstances, now and in the future. It must be personal and human, showing you know me as an individual.

**Motivating Purpose**



I need a clear purpose to save, and help in articulating what it is – one that will inspire me because it will help me achieve something that matters in my life.



**Achievement**



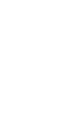
I need to see progress and feel that I've achieved something that matters to me.



**Motivation to Save**



I need the motivation to start saving and positive reinforcement to continue saving.



**Affordability**



The cost of guidance and advice is prohibitive. I need solutions to be cost-effective and manageable in my budget.



**Simplicity**



Savings can be complex, and the saving process onerous. I need it to be easy to understand and seamless to use across all channels.



**Human Convenience**



I need the service delivered in a way that fits with my lifestyle. Channel choice is key. I expect digital, but need easy access to human guidance when it suits me.



**Accessibility**



I need the barriers that prevent me from being able to get help, guidance, and advice removed. – it must be affordable, simple to understand, and convenient to use.



### Members

- Available to all of our members with any amount of money to save, not just those who can afford advice and new to group Savings members
- Can provide value to all NBS lifestages but with particular value to the squeezed segments which are over indexed in singles & couples and young families.

### Accessible

- Affordable – free of charge
- Simple to understand – removes the complexity in understanding and transaction of financial decisions
- Human & Convenient - fits with customers' lifestyles. Digital and human service options to fit different situations.

**“Automated Advice provides members with an accessible and personalised, digital services that gives them confidence and motivation”**

### Personalised Services

- Tailored to customers' financial capabilities – their financial skills and stances, and their individual circumstances, now and at any stage in their lives
- Personal and human, showing the customer that we really know them as individuals

### Confidence

- Control & Flexibility – of their savings / finances, including the flexibility to respond to changes in their circumstances
- Impartiality & Transparency – inspiring trust that recommendations are in their best interests, and that there are no catches.

### Motivation

- Motivation and positive reinforcement
- Clear Purpose - help in articulating customers' goals and inspiring them to achieve what matters in their lives
- Sense of Achievement – help making progress and achieving their savings and life goals

# Our journey so far



# Experimentation & Learning Objectives

We are testing specific hypotheses to generate learnings in branches with a priority on three lead critical success factors



1. Provide Members and customers with the confidence and motivation to advance in their savings decision journey
2. Enable branch colleagues to deliver an enhanced savings customer experience
3. Ensure consistent mitigation of conduct risk in line with Nationwide risk appetite



# and what we are hearing back so far...

## **Legendary Service**

I find the protection aspects in particular a success. By gaining renewal dates from Members am now able to call for insurance quotes and raise awareness.

## **Built to Last**

I saw a young couple who were in opening a 'Help to Buy ISA' account. My Choices enabled me to have a really good conversation about Income Protection. The recommendations got them thinking about what they have in place for the future.

We now have a coffee chat call with our NNOW FPM next Friday to discuss their options.

## **National Treasure**

A new to Nationwide Member came into branch because he was unhappy with the service of Barclays and looking to switch his account over after.

We got talking about his needs and after completing the My Choices we found he could potentially be savings £100+ a month on his current mortgage. He's also now considering Life Insurance.

Without My Choices this conversation might never have happened.

## **Building Pride**

I met with a women recently for whom My Choices got her to think about savings, protection and overpaying on her mortgage.

The result was that she wanted to find out how much it would cost her to pay off her mortgage in full even though on a deal. The penalty was minimal, she is going to come back in on Thursday to pay the penalty and become mortgage free!