

The Effects of Nudging on Pension Savings Decisions

“Choices don’t automatically work out”

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Choice is a vital element in the design of a pension system. This study shows that there is considerable appetite for having options in the accumulation phase. However, people with little retirement savings choose to temporarily suspend their contributions just as often as those with considerable savings. Any choices ultimately offered should therefore be designed responsibly. Even in an online environment requiring little effort to change choices, people tend to choose the first option shown or the prefilled one (default).

Principal Findings

- Four out of ten people chose to modify their pension savings: 19% opted for a temporary stop to contributions; 23% for temporary additional contributions.
- The first option shown was chosen 10%-point more often. The financially literate were not as influenced by the order of the questions.
- Prefilling had an even bigger effect: up to 22%-point more people opted for temporarily increasing or decreasing pension savings. Defaults have a strong influence on choices, even in a situation in which people are confronted with the options and can easily indicate their preference (no procrastination).

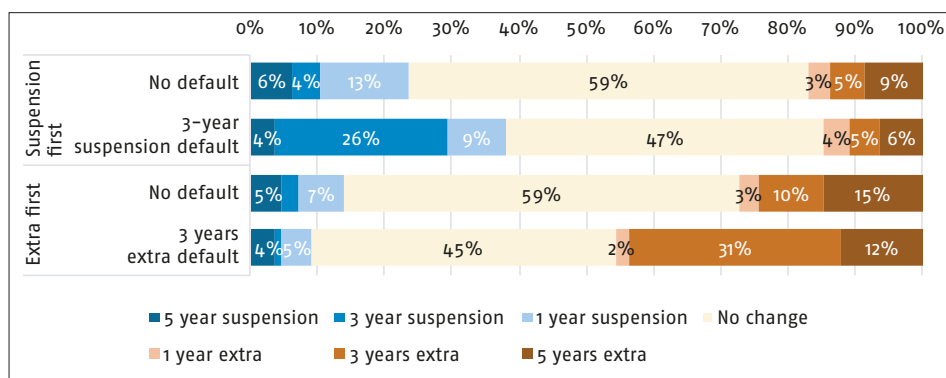


Figure: Pension savings decisions: Effect of order and default option in an online environment

Key Takeaways for the Industry

- There is considerable interest in making extra contributions or suspending them, but such choices don’t automatically work out. Decisions concerning more or less pension savings are not related to pension entitlements already accrued, savings deposits, or home equity.
- In an online environment, both the order in which questions are presented and default options can help steer people in the right direction.
- Offering the right default options to the right target group requires suitable customization, since people for whom the default may not be appropriate tend to choose it anyway just as frequently.



Want to know more? Read the paper ‘**Keuzes tijdens de pensioenopbouw: de effecten van nudging met volgorde en standaardopties**’ (in Dutch).