



Promoting Later Planned Retirement: Construal Level Impact Reverses with Age

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Planning for Retirement

A Financial Decision



Work long, retire late
High income after retirement

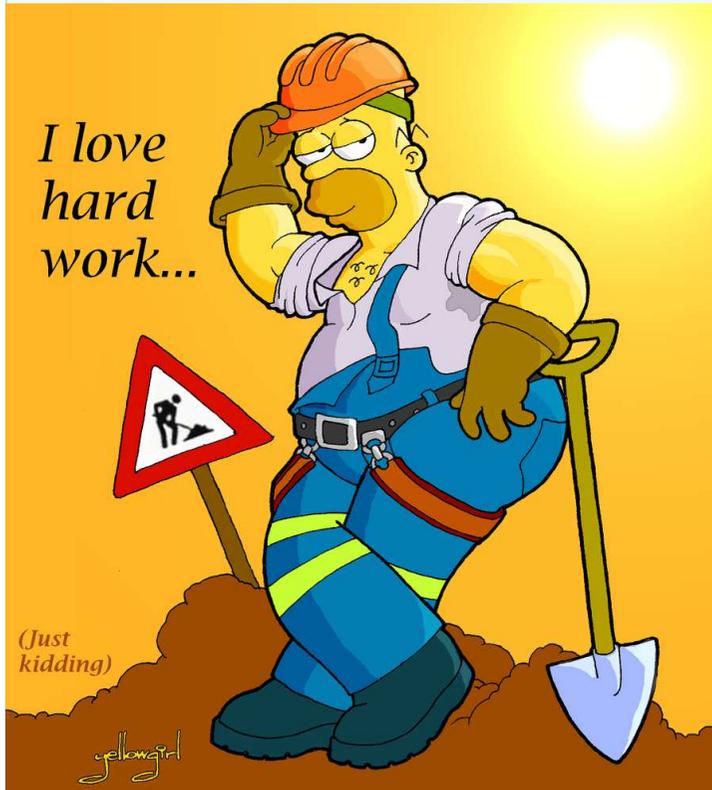
vs.



Work less, retire early
Low income after retirement

Planning for Retirement

A Decision to Work (or not)



Work long, retire late
High income after retirement

VS.

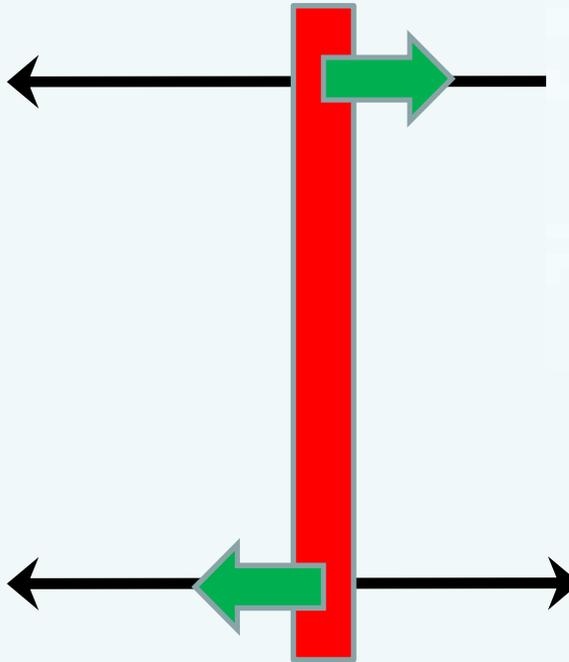
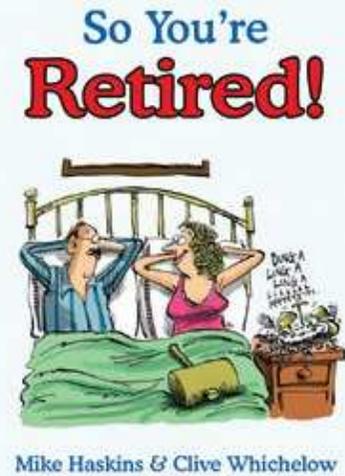
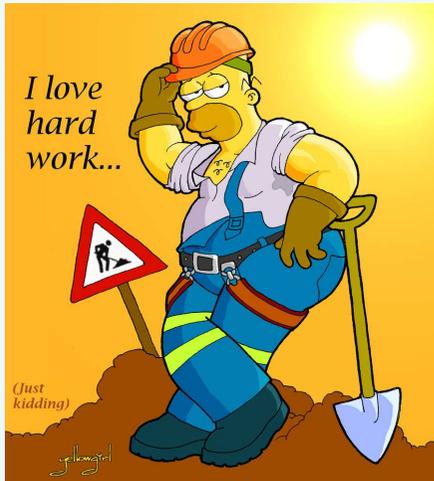
So You're Retired!



Mike Haskins & Clive Whichelow

Work less, retire early
Low income after retirement

How to decide?



Construal Level Theory

High-level mindset

- Focus on higher goals
 - desirable
- Generally more future oriented
- Loosing weight

Low-level mindset

- Focus on means of achieving goals / instrumental
 - feasible
- Enjoying a piece of cake

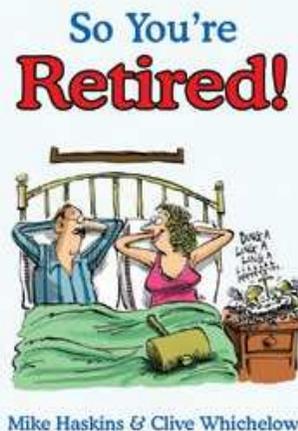
Almost all research in settings where higher goals are also more future oriented

- Focus on primary goals
 - The MOST important one

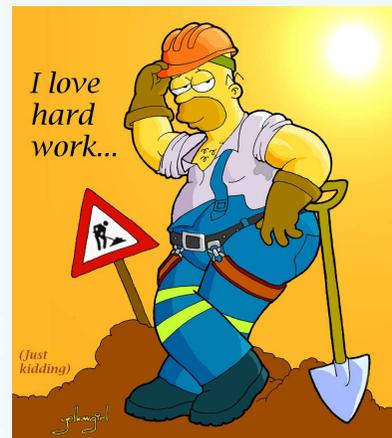
- Focus on secondary goals

(Psychological) distance and retirement planning

- We plan to do the right thing (higher goals, what is desirable) in the future, but when time gets closer we get to see the problems (is it feasible)
- This chronic mindset determines how the main focus in the retirement planning problem

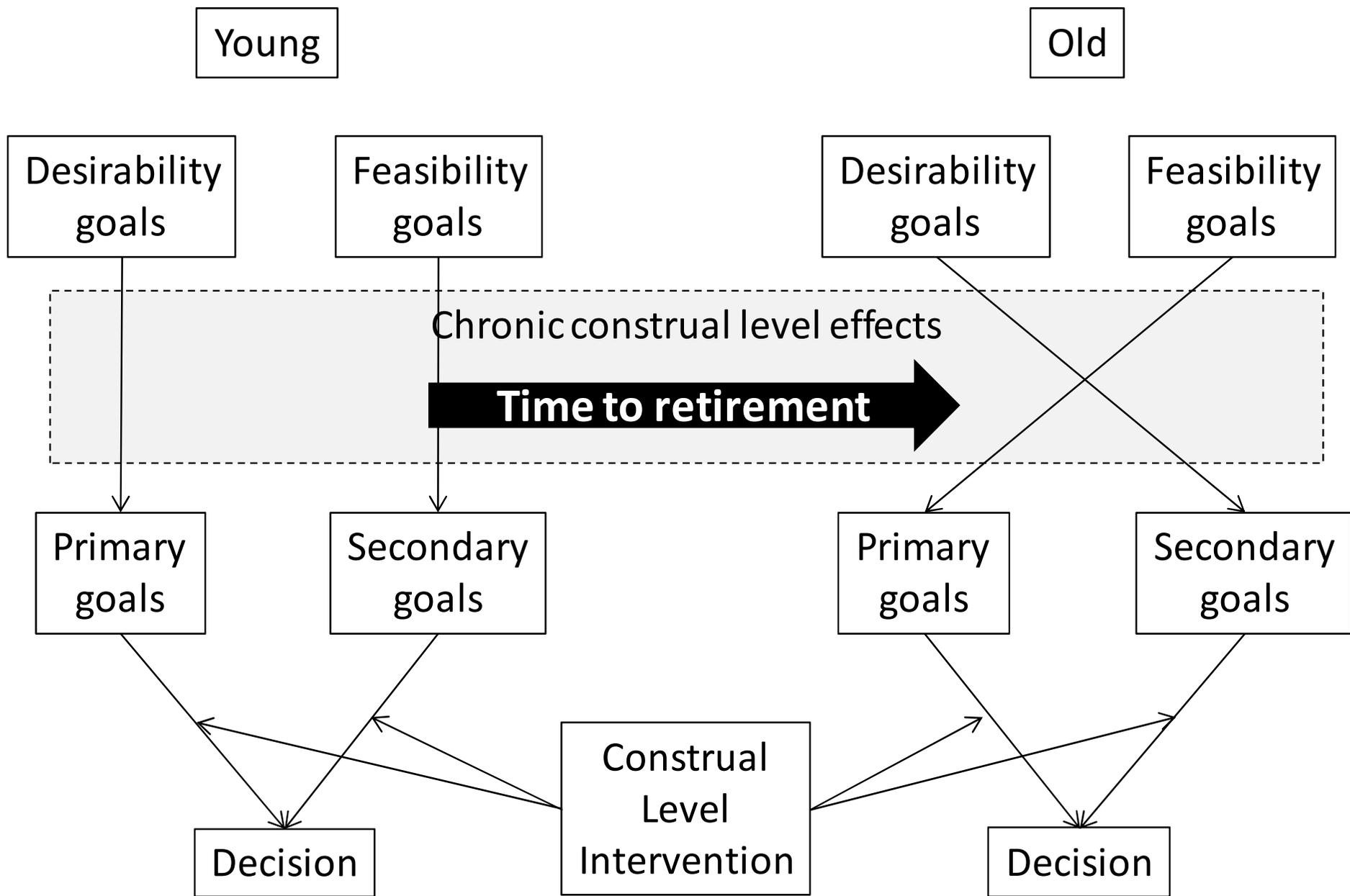


Younger



Older





Hypotheses

- Desirability is more important under a global mindset for young individuals
- Feasibility is more important under a global mindset for older individuals
- Feasibility is more important under a local mindset for young individuals
- Desirability is more important under a local mindset for older individuals
- **Three way interaction effect of age, mindset and desirability/feasibility should be of opposite signs for desirability vs feasibility**

Data collection study I

- Panel members of online panel (N=245)
 - Work at least 30 hours per week
 - Aged between 40 and 60
 - Participate in employer pension plan
- Measures:
 - Planned retirement age (relative to state pension age)
 - Age
 - Whether one could live comfortably after retiring on planned date based on current savings behavior
 - Control variables

Results study 1

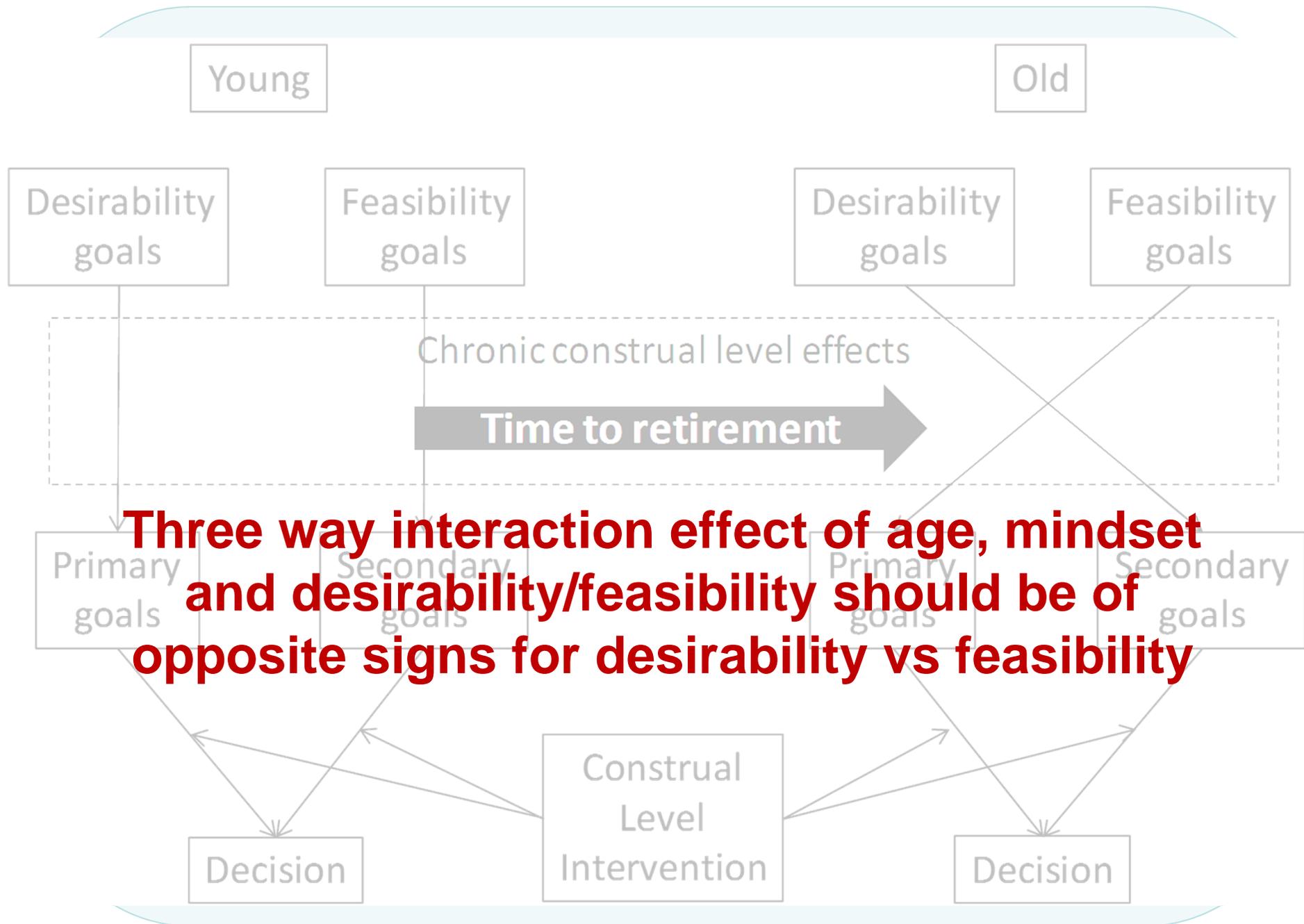
1. Younger individuals (age 40-50) plan to retire earlier than older individuals (age 50-60)
2. Younger individuals plan to retire at an age that is currently not affordable to them
3. Controlling for affordability, there is no effect of age on planned retirement age
 - Full mediation

Data collection study II

- Comparable sample composition (N=306)
- Measures:
 - Planned retirement age (relative to state pension age)
 - Age
 - Whether one can save more if needed -> affordability
 - Whether one expects to enjoy working around the age of retirement -> desire to stop working
 - Control variables
- Manipulation: high vs low construal level
 - Induce global vs local mindset

Inducing global vs local mindsets

- Find sub- vs superordinate categories
 - A museum is an example of....
 - An example of a museum is...
- Manipulation check
 - What does “eating” mean?
 - Getting nutrition
 - Chewing and swallowing
- Known to change behaviors
- Global mindset increases attention to primary goals, typically also the long-run goal



Results

Ordered probit for retirement age

	Planned retirement age*		
	β	Std. error	P
Age (Younger vs. Older)	.034	.745	.964
Construal Level Intervention (Global vs. Local Mindset)	.671	.658	.308
Dummy Global * Dummy Younger	-.196	.969	.840
Desire to stop (sooner)	-.190	.104	.068
Desire to stop * Dummy Younger	.187	.130	.152
Desire to stop * Dummy Global	.153	.129	.238
Desire to stop * Dummy Younger * Dummy Global	<u>-.465</u>	<u>.175</u>	<u>.008</u>
Affordability	-.019	.076	.808
Affordability * Dummy Younger	-.263	.115	.022
Affordability * Dummy Global	-.216	.101	.032
Affordability * Dummy Younger * Dummy Global	<u>.485</u>	<u>.158</u>	<u>.002</u>

Model predictions

Zooming in on those in trouble

- Deciding when to retire most difficult when
 - Strong desire to stop working
 - Limited opportunities to save more for retirement

Predicted retirement age relative to state pension

	Construal level intervention	
	Global processing	Local processing
Younger workers	- 2.73	- 1.14
Older workers	0.48	- 2.41

Conclusions

- Young and old differ in how they mentally construe the retirement planning problem
 - Primary goals change with time to retirement
- Global mindsets often thought to be beneficial for long run consequences
 - Holds only if those consequences are of primary concern

Implications

- Individual mindsets are sensitive to various cues
- Advertising
- Interaction with financial advisor/planner
 - Type of information that is presented
 - The way in which information is presented
- Thinking about their priorities promotes
 - later planned retirement only for older workers who have not saved enough.
 - earlier retirement for younger workers, even though they cannot afford it