Interactive Online Decision Aids for Complex Consumer Decisions: Opportunities and Challenges for Pension Decision Support

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Summary of comments

- What is the paper about?
- Strengths of the paper.
- Limitations of the paper.
- Suggestions for future research.
What is the paper about?

• Can interactive decision aids help consumers overcome the complexity of pension decisions?

• Review of recent research with particular attention for:
  • 1. Preference formation tools: assist individuals in understanding their future needs and the product dimensions that are most relevant to meet these needs.
  • 2. Product selection tools: help consumers find suitable product once they have developed an understanding of their needs.
Strengths

• Timely:

• Increasing consumer self-responsibility for retirement.

• Limited financial knowledge of consumers.

• Susceptibility to behavioral biases (e.g., myopic loss aversion).

→ Suboptimal retirement choices

• Decision support systems (DSS) may help, literature in this area gains momentum (e.g., Looney & Hardin 2009)
Strengths – continued

- Review includes references to many recent studies in the area.
- The paper takes an aggregate perspective:
  - What can DSSs do for a consumer?
  - What are the main types of DSSs?
  - How would the different functions of a DSS tap into the different problems of making retirement decisions?
Limitations

• Application to retirement decisions and *how* DSSs can help to overcome most frequent problems/biases of consumers is relatively limited: reader is left with many questions.

• Paper can profit from a more balanced perspective of DSSs:
  
  • The way in which information is presented in a DSS has effects on consumers’ mental representation of a decision problem and his/her reaction.
  
  • Recent research (Looney et al. 2006) shows that DSSs may also have undesirable side effects.
Limitations – continued

- Although recommendations by intelligent agents or experts can improve consumer retirement decision-making and overcome behavioral biases (Looney & Hardin 2009), they may also lead to psychological reactance if they contradict consumers’ initial impression of choice options (Fitzsimons & Lehmann 2004).

- Especially when advice is (felt as) unsolicited, consumers may not only ignore it, but even intentionally contradict them.

- How to design a DSS in such a way that its advice overcomes consumers’ limited knowledge, yet does not feel contradictory to their prior beliefs or even unsolicited?
Limitations – continued

• Do peer-to-peer communities *improve* retirement decision-making?

• Consumers who share feedback are more *convinced* they made the right choice.

• However, is increased confidence necessarily good/warranted?
Limitations – continued

- Low financial literacy, peers may not have the best advice.

- People look for confirming evidence, while their views may need to be challenged to overcome overconfidence and improve their decision-making.

- Normative pressure of peer-to-peer communities may lead to reactance and consumers may lose interest in retirement decisions (cf. Algesheimer et al. 2005).
Suggestions for future research

• Perform experiments with actual pension plan contributors:
  • On which parts of their pension decisions do they like to get advice?
  • On which part do they actually need advice? → behavioral biases…
  • How to present information/guide decisions to prevent reactance? → suggestive versus informative guidance…
Reference list

