

What is inertia?

“Lack of a clear definition makes it hard to tackle this issue effectively”

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No clear and common definition of inertia exists. Pension participants who review their situation but decide to make no changes can therefore be wrongly classified as inert. A clearer picture of who is inert and what inertia is will enable pension experts to provide more tailored advice and better inform participants about changes in their pensions. Data about inertia from the health insurance market provides some helpful starting points in this regard.

Principal Findings

- Factors that play a role in inertia range from rational cost/benefit considerations to emotional/behavioural considerations to avoid regret or uncertainty.
- Inert participants deliberate and procrastinate more about their decisions and are more influenced by attractive missed opportunities than people who make an informed decision.
- Inert participants need to be activated, through personalised information that demonstrates the consequences of taking no action and how taking action could benefit them.
- Active participants who review their pension but make no change will probably benefit from reliable information about risks and pension outcomes or guidance about what is best in their situation.



Figure: Inert en active participants must be clearly distinguished from each other.

Key Takeaways for the Industry

- Inert pension participants and active participants who decide to make no change must be clearly distinguished from each other and receive appropriate information and advice.
- A clear definition of inertia is needed in the pension sector so that the key barriers experienced by inert participants can be identified and worked on.



Want to know more? Read the paper **'Wat is inertie?'** (in Dutch)