Netspar

When to retire? The effectiveness of different forms of decision support
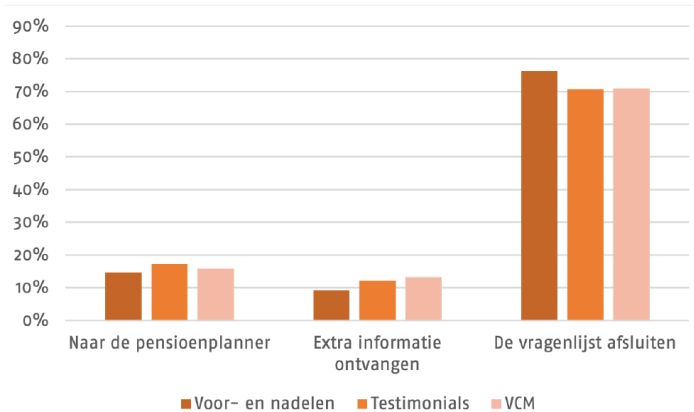
"Decision support can activate participants to make appropriate choices"

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Deciding when to retire – earlier, later or at the retirement age – concerns more than just pension size, life expectancy and desired standard of living. Participants need to understand the consequences of alternatives on offer, as the fuzzy trace theory explains. We therefore preliminarily investigated two new forms of decision support (Value Clarification Method and testimonials) within the pension industry that help participants understand the consequences of retirement. Our goal was to determine whether these new forms were more effective than the standard information available about retirement, which is often a pros and cons text. The research was done among 2328 Dutch pension fund participants aged 55 years and older.

Principal Findings

- Participants who received the pros and cons text felt better informed than participants who received the Value Clarification Method or testimonials.
- The pros and cons text was better appreciated and evaluated as easier to understand than the Value Clarification Method. However, this difference is scarcely relevant in practice due to the small effect sizes.
- Participants who received the Value Clarification Method or testimonials were more likely to search for additional information.

Participants' desired next step, broken down by condition. The abbreviation VCM stands for Value Clarification Method.

Key Takeaways for the Industry

• As they appear to activate participants, the Value Clarification Method and testimonials should be further investigated and optimised.
• The use of decision support in other pension choices, such as part-time pension or the allocation between old age pension/partner pension, merits further investigation.
• Pension providers should use decision support tools to encourage their participants to take relevant actions and make appropriate choices.

Want to know more? Read the paper
'Wanneer met pensioen? De effectiviteit van verschillende vormen van keuzebegeleiding'
(in Dutch)

As a knowledge network, Netspar facilitates independent, academic research on pensions and aging; www.netspar.nl