Choice guidance for pension: are online tools alone enough?

"Online tools facilitate choices but do not help participants to oversee the consequences"

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Offering choice guidance through an online tool is seen as a promising way to provide personalised support to large groups of pension participants. However, it is not yet clear if online tools lead to participants making the same retirement choices as they would with a pension advisor and whether participants understand the financial consequences of choices made using online guidance. We investigated the sufficiency of online tools by comparing participants who went through an online tool independently, in a group session or in a 1-on-1 conversation with a financial advisor.

Principal Findings

- Using the online tool during a 1-on-1 conversation with a financial advisor resulted in more interaction with the tool and a better understanding of the financial consequences of choices made.
- A group setting was the least preferred option.
- The type of choice guidance influenced neither the pension choice of the participants nor their confidence in those choices.
- However, it is clear that participants who received more coaching from an advisor considered themselves to be less expert in pensions, possibly because they had a better idea of the limits of their own knowledge.
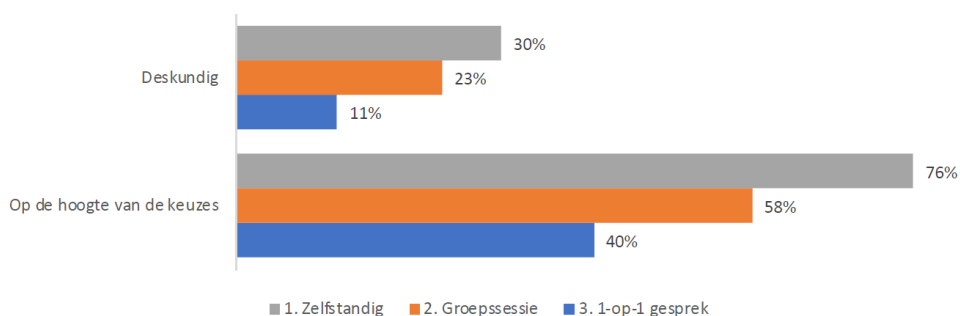

Figure: Percentage of participants who indicated they felt (very) knowledgeable or agreed (strongly) with the statement "Before the survey, I was aware of the choices I can make around retirement date" (N = 98)

Key Takeaways for the Industry

- Online tools can help participants to actively think about their pension choices, but the effectiveness of these tools should not be overestimated.
- Participants who complete an online tool independently overestimate their own expertise more often and understand the financial consequences of their choices less well.

Want to know more? Read the paper
'Keuzebegeleiding bij pensioenen: Is alleen een online tool voldoende?'