

## The effect of integrating multiple investment products on risk taking

“Interactive tool helps to make better decisions regarding risk and return”

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People are increasingly confronted with individual choices regarding the financing of their pensions. This requires complex risk and return decisions on various investment products. The chance of making wrong choices can be reduced by offering multiple investment products integrated in an interactive tool. Especially when multiple risky products are offered integrated, people benefit from this: they often choose a mix that fits well with their personal risk profile.

### Findings in short

- People were asked to put together an (investment) portfolio using an adapted and extended version of the interactive tool 'Distribution Builder'.
- Various more and less risky products were offered in the tool, side by side or as one integrated product.
- When risky products are presented in an integrated way, people make different, more efficient risk decisions than when they have to assess the products individually.
- People are likely to make more mistakes because they do not take into account the correlation between returns on different products.

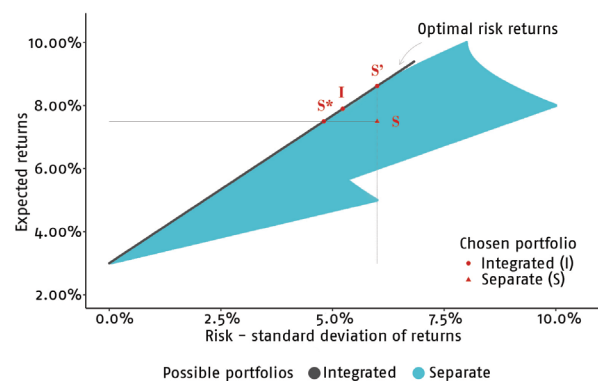


Figure: Examples of investment choices for two risky products. Point I is a possible portfolio on the efficient frontier, which people might choose when products are shown integrated. Point S is a point below the efficient frontier, which people could choose when products are presented separately.

### Key message for the sector

- Virtual integration of various investment products using an interactive tool helps people make better investment decisions.
- Virtual integration is especially helpful if consumers have multiple risky investments.
- This allows pension funds to develop a customized investment strategy by using the risk–return profiles that participants determine themselves.



Want to know more? Read the paper

[‘The impact of the virtual integration of assets on consumers’ pension risk preferences’](#)