

## Pension payout preferences

“Clear interest in options other than default constant payout pattern”

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In the debate about the new Dutch pension system, much attention has been paid to increasing participants' choices. The default pension payout is a lifelong flat monthly rate (constant payout pattern). However, other options are (becoming) available such as a high/low annuity based profile or a partial lump sum at retirement with a lower monthly rate later. How appealing to retirees are these different payout options, and what influences these preferences?

### Principal Findings

- Based on a survey experiment with over a thousand participants, a constant payout pattern is still the most popular option.
- There is, however, a substantial interest in other options: both the high/low annuity and lump sum options were chosen in almost 30% of choice scenarios.
- Most respondents adjust their choice in line with the scenario presented and switch their preferred option at least once.
- Interest in a lump sum is higher if the size of the sum increases and lower when interest rates or replacement rates are higher.
- Interest in a high/low annuity-based profile is higher when the high annuity is valid for a shorter period.
- Choosing the constant annuity is negatively correlated with income, willingness to take risks and financial literacy.
- Gender, age or type of household appear to have little influence on people's preferences.

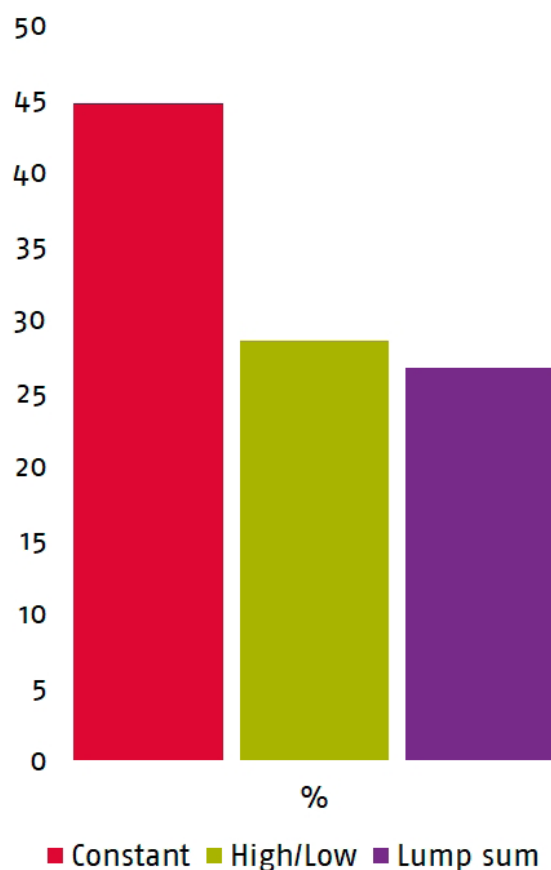


Figure: Preferences over pension payout schemes

### Key Takeaways for the Industry

- Given the current low to absent indexation of pensions and low interest rates, the planned introduction of the lump sum option in 2023 could see a fair amount of uptake.
- Pension providers can help participants make a more informed choice by actively presenting personalised information about their payout options.



Want to know more? Read the paper '[Pension payout preferences](#)'