

Financial Incentives Beat Social Norms: A Field Experiment on Retirement Information Search

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What is the problem?

- low pension awareness
 - 51% of the Dutch do not know their type of pension plan (Montae, 2012)
- traditional communication not effective
 - start letter hardly read and understood (GfK Pensioenmonitor, 2014)
 - annual letter hardly read and understood (GfK Pensioenmonitor, 2016)
- €360 million costs/year for Dutch pension funds (Azadi, 2012)
- online communication becomes more important (Pensioen 1-2-3), but is it effective? (Lentz & Pander Maat, 2016)

Research Questions

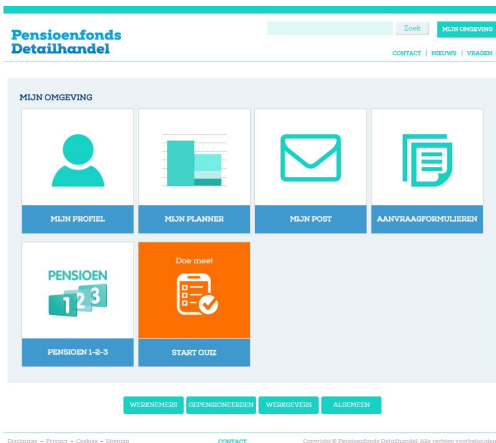
Question 1

What triggers participants to search for information about their pensions on the pension fund's website?

Question 2

Do treatment effects differ depending on participants' characteristics?

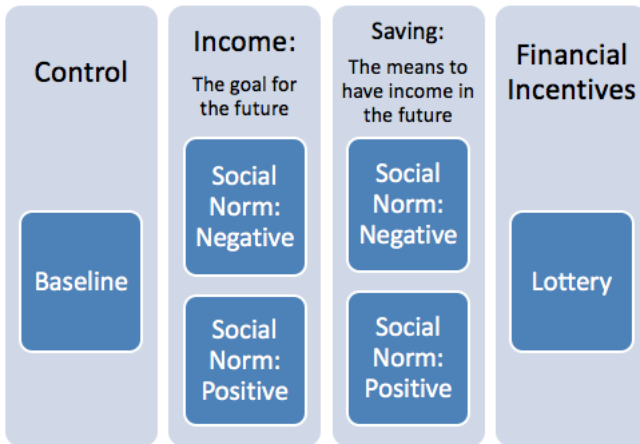
Methodology



Methodology

- industry partner: [Pensioenfonds
Detailhandel](#)
- approx. 250,000 active participants got different letters in December 2015
- goal: people log in on their personal space & search for information about their pension
- we have measurements of:
 - 1 the **characteristics of participants**
 - 2 the **logins** onto the website
 - 3 the **activities of participants** on the website

Six Different Letters



Peer Effects and Social Norms



- health (Burger & Shelton, 2011)
- energy costs (Schultz et al., 2007)
- taxes (Bott et al., 2014; Hallsworth et al., 2014)
- savings (Kast, Meier & Pomeranz, 2014)
- pension context: mixed results (discouragement) (Beshears et al, 2015;
Clark, Maki & Sandler Morril, 2013)

Goals vs Means- Hopes vs Fears

- unclear whether a focus on means or goals is better to achieve long-term goals with unpleasant means (Freund & Hennecke, 2015)
- mixed results on whether fear motivates or hinders behavioral change (Witte & Allen, 2000)

Financial Incentives



- used to increase response rates in surveys (e.g. Singer & Ye, 2013)
- used in charitable giving (e.g. Lange, List & Price, 2007)
- unintended consequences & crowding out of intrinsic motivation (Gneezy & Rustichini, 2000a,b; Bowles, 2008)

The Baseline Letter

Dear participant,

Have you ever thought about your income for later? Your pension? The money which you will receive monthly from 67 onwards?

On www.pensioenfondsdetailhandel.nl you check- in less than a minute - what you will be able to spend soon.

This is how you do it:

- Go to 'Mijn Omgeving' on pensioenfondsdetailhandel.nl;
- Log in with your personal ID number;
- And look at your personal pension accrual and pension scheme.

With this new insight you can decide whether you want to lay aside additional money or whether you want to keep on accruing your pension as you are used to.

Additionally, really handy, on 'Mijn Omgeving' you see what it means for your pension if you change your job, start living together, get married or divorced...

Topics you also find back in the Jij&Wij Magazine, the journal you receive with this letter.

May I ask you to quickly check your data?

Social Norms- Income

Income-Positive

A large part of the people in the Netherlands think that they will have enough income to retain their current level of consumption in retirement. What about you?

Income-Negative

A large part of the people in the Netherlands think that they will have a too low income to retain their current level of consumption in retirement. What about you?

Social Norms-Savings

Saving-Positive

A large part of people in the Netherlands think that they will save enough to retain their current level of consumption in retirement. What about you?

Saving-Negative

A large part of people in the Netherlands think they save too little to retain their current level of consumption in retirement. What about you?

Financial Incentives

Dear participant,

Have you ever thought about your income for later? Your pension? The money which you will receive monthly from 67 onwards?

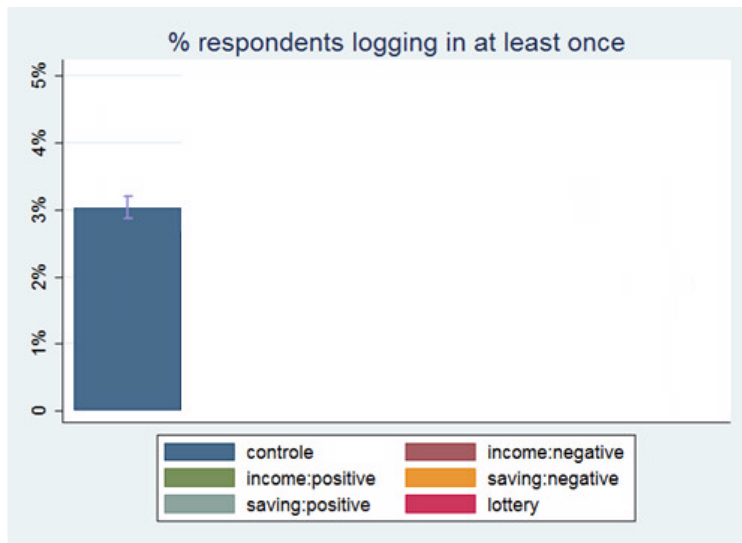
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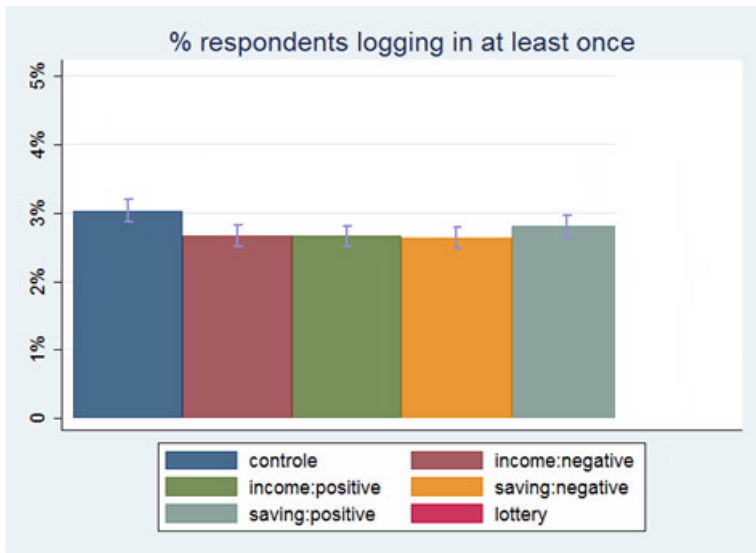
Among all the participants who log in, we are raffling 100 VVV gift vouchers worth €25.

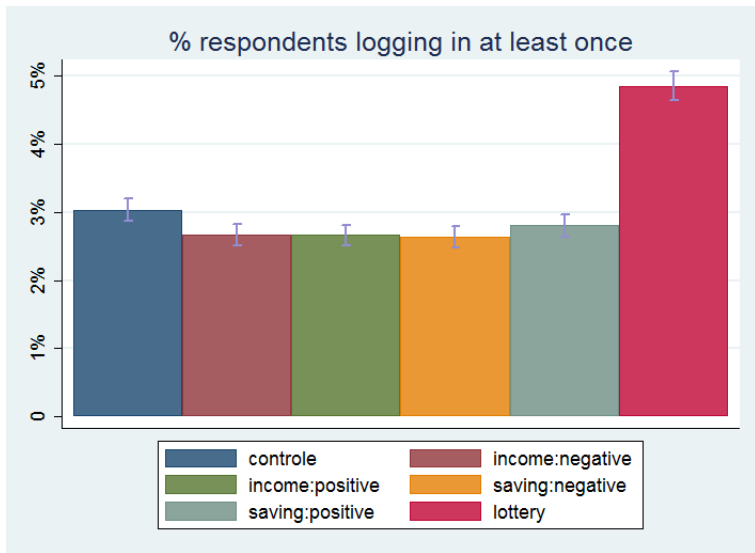
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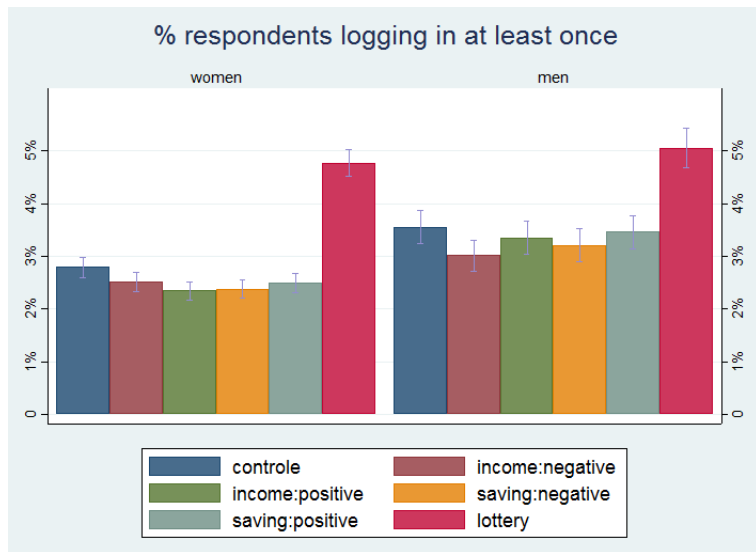




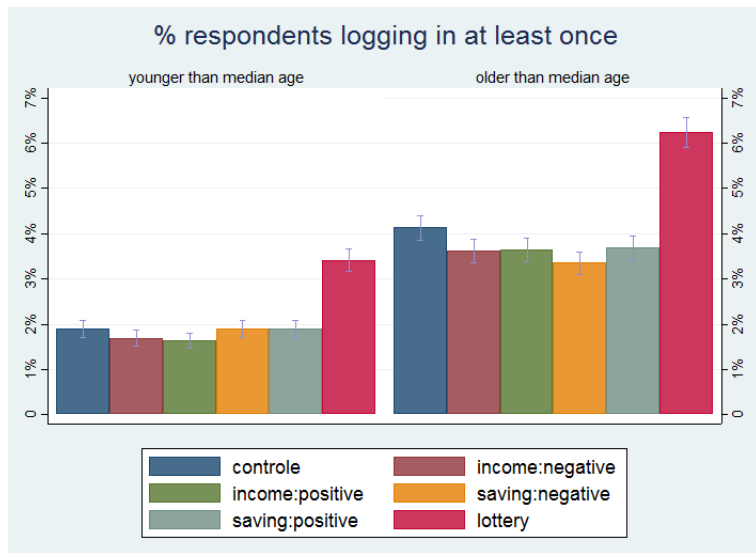
% respondents clicking on pension planner
at least once



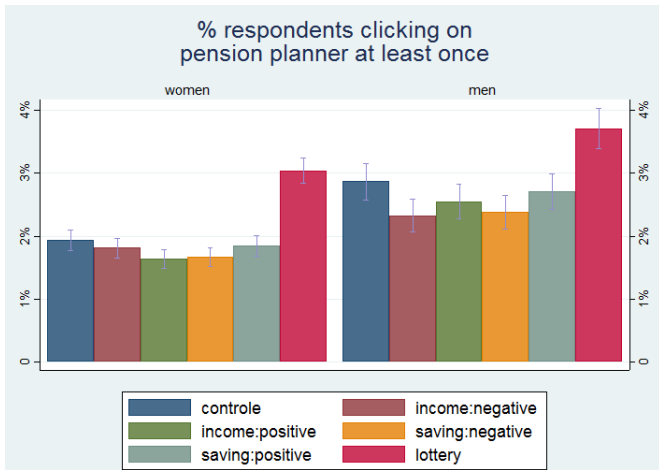
Heterogeneity



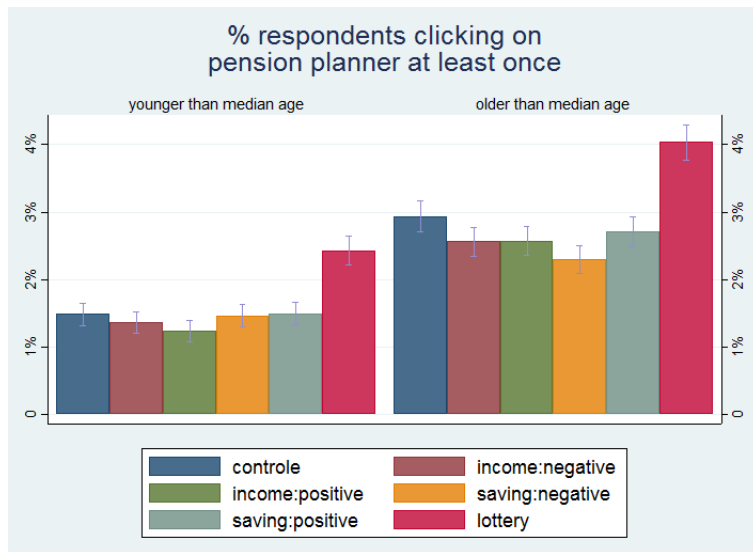
Heterogeneity



Heterogeneity (cont.)



Heterogeneity



Conclusion

- financial incentives are most effective
- every logged-in participant costs €0.33
- most people who logged in also inform themselves about their pension
- social norms are not effective
- men seem to be motivated least by fear
- overall, there is little heterogeneity in effectiveness of the treatments



Looking forward to feedback and questions!

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Table 1: Comparison between whole population and participants who have logged in at least once.

VARIABLES	N	Logged In	N	Population
Logged in at least once			245,721	0.0311 (0.174)
Clicked on pension planner at least once	7640	0.716 (0.146)	245,721	0.0223 (0.451)
Man	7,640	0.364 (0.481)	245,721	0.313 (0.464)
Age	7,640	44.80 (14.98)	245,721	37.86 (13.16)
Part-time factor	7,153	0.678 (0.293)	232,444	0.662 (0.301)
Partner	7,640	0.521 (0.500)	245,721	0.395 (0.489)
Gross Salary, wins.1%	7,153	20,580 (15,170)	232,516	18,150 (13,103)

App.: Saving - Positive

Dear participant,

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Additionally, really handy, on 'Mijn Omgeving' you see what it means for your pension if you change your job, start living together, get married or divorced...

For more information look in the "BPM" Magazine, the journal you speak with this letter.

App.: Saving - Negative

Dear participant,

Have you ever thought about your income for later? Your pension? The money which you will receive monthly from 67 onwards?

A big part of the Dutch think that they save too less to retain their current level of consumption in retirement. And you?

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- Log in with your personal ID number;
- And look at your personal pension accrual and pension scheme.

With this new insight you can decide whether you want to lay aside additional money or **whether you want to keep on accruing your pension as you are used to.**