

# Consumer Inertia in the pension context

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# Wijzer in geldzaken

Betrouwbare en onafhankelijke informatie over uw geldzaken

*“Ongeveer de helft beroepsbevolking vindt dat ze zich eigenlijk beter zou moeten verdiepen in financiële situatie na pensionering.” (p.4)*

Ruim 40% nooit nagedacht over pensioen

66% nooit op [www.mijnpensioenoverzicht.nl](http://www.mijnpensioenoverzicht.nl) gekeken

71% niet naar pensioenoverzicht gekeken.

Many people save less for pensions than they expected or hoped for

De Bresser & Knoef, 2015; Knoef et al., 2014;  
Knoef, Goudswaard, Been, & Caminada, 2015

# Experts vs. non-experts

- Experts: knowledge, experience and skills – how to best make financial decisions

*But...*

And....

- Consumer: emotions, context, certainty



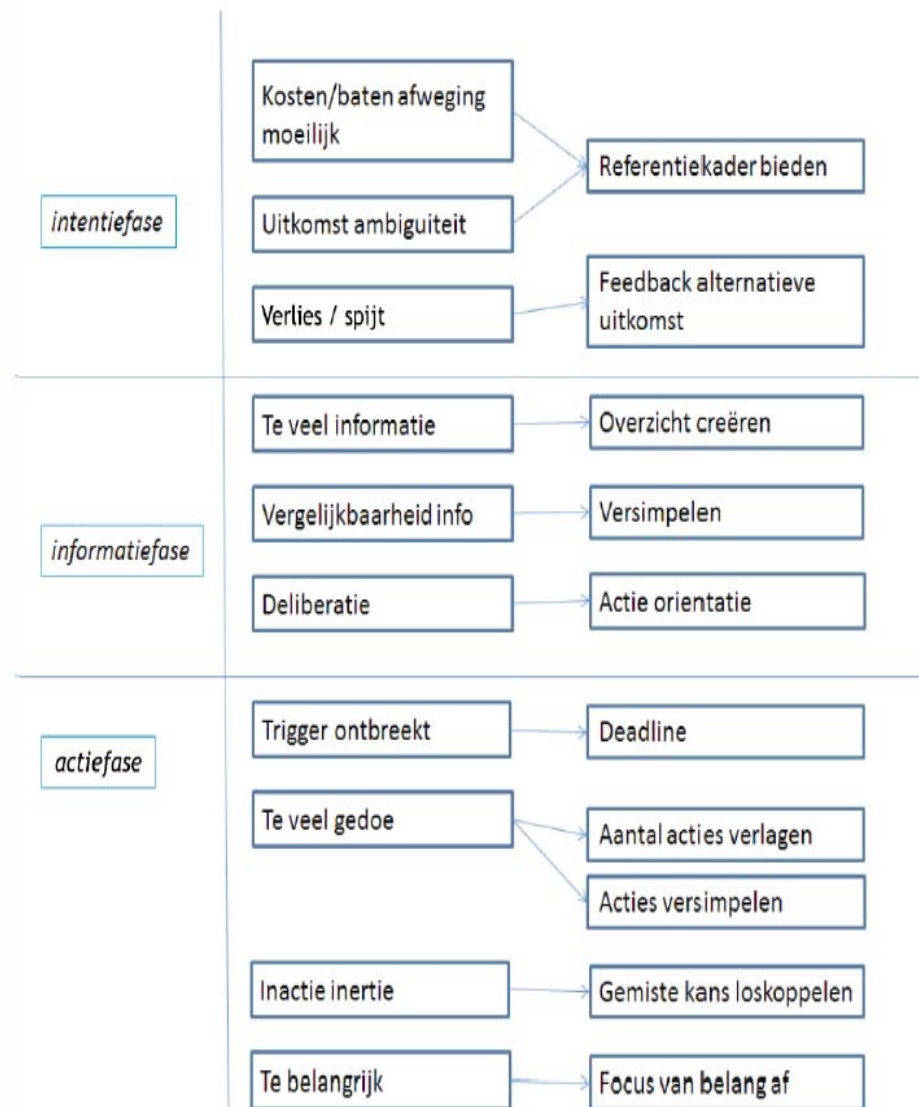
## Consumenteninertie in de keuze van contracten van dienstenmarkten



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**Figuur 1.** De blokkades die inertie kunnen veroorzaken en de factoren die ze kunnen opheffen, uitgesplitst per fase van het keuzeproces.



Form  
Intention



Process  
Information



Choice

**FORM INTENTION**



*intentiefase*

Kosten/baten afweging  
moeilijk

Uitkomst ambiguiteit

Verlies / spijt

Referentiekader bieden

Feedback alternatieve  
uitkomst

# Outcome ambiguity



Tversky & Shafir 1992

# **PROCESS INFORMATION**

*informatiefase*

Te veel informatie

Overzicht creëren

Vergelijkbaarheid info

Versimpelen

Deliberatie

Actie orientatie

THINKING,  
FAST AND SLOW



DANIEL  
KAHNEMAN

WINNER OF THE NOBEL PRIZE IN ECONOMICS

## **System 1** **"Fast"**

### **DEFINING CHARACTERISTICS**

**Unconscious**  
**Effortless**  
**Automatic**

**WITHOUT Self-Awareness or Control**

**"What You See Is All There Is"**

### **ROLE**

**Assess the Situation**  
**Deliver Updates**

## **System 2** **"Slow"**

### **DEFINING CHARACTERISTICS**

**Deliberate and Conscious**  
**Effortful**  
**Controlled Mental Process**

**WITH Self-Awareness or Control**

**Logical and Skeptical**

### **ROLE**

**Seeks New/Missing Information**  
**Makes Decisions**

A ball and a bat cost \$1.10 in total.  
The bat costs \$1 more than the ball.  
How much does the ball cost?

# How do you feel about Alan and Ben:

Alan:

intelligent-industrious-impulsive-critical-stubborn-envious

Ben:

envious-stubborn-critical-impulsive-industrious-intelligent



# Choice overload








# Iyengar & Lepper, 2000



	6 Jams	24 Jams
Approach	40%	60%
Try	1.4 jams	1.5 jams
Buy	30%	3%

# Choice overload in pensions

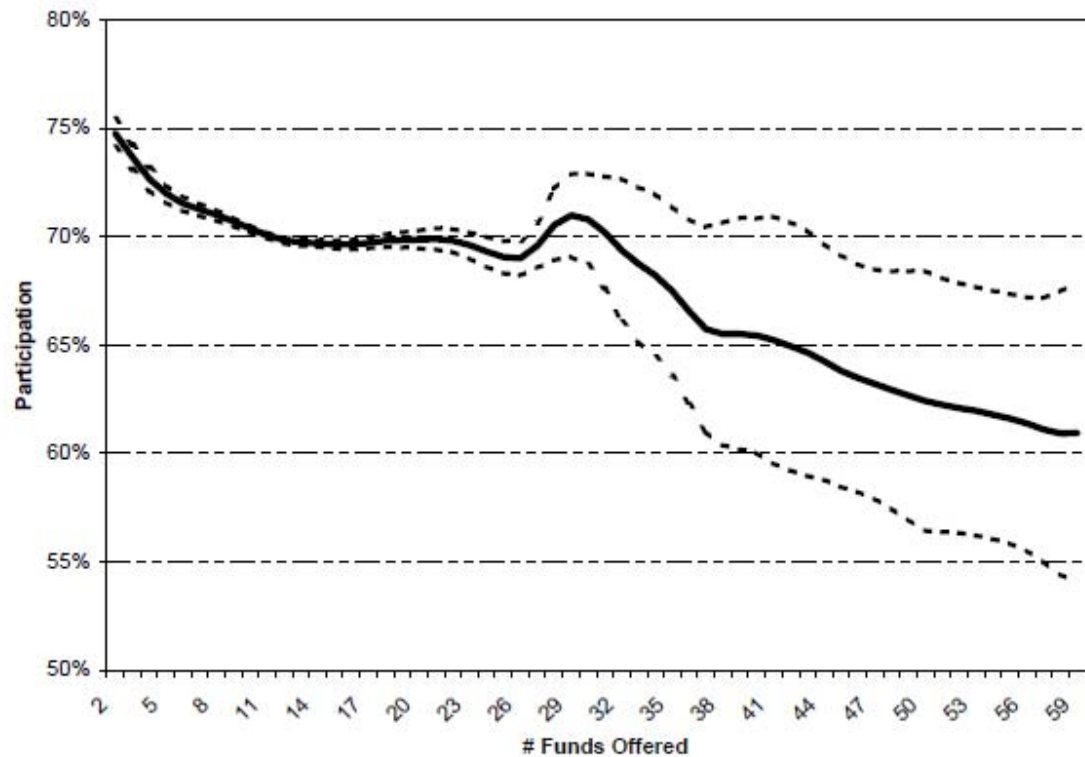


Figure 2. The Relation between Participation and Number of Funds Offered





Mogilner, Rudnick, & Iyengar  
(2008)

**CHOICE**

*actiefase*

Trigger ontbreekt

Deadline

Te veel gedoe

Aantal acties verlagen

Acties versimpelen

Inactie inertie

Gemiste kans loskoppelen

Te belangrijk

Focus van belang af

# Importance heuristic





# Inaction inertia

Orit Tykocinski

Thane Pittman



Influence of *inactions* on subsequent behavior



Inaction inertia occurs when foregoing an attractive action opportunity (initial inaction) decreases the likelihood that subsequent action will be taken in the same domain (Tykocinski, Pittman & Tuttle, 1995)

# Inaction inertia



# Inaction inertia



# Inaction inertia



Inaction inertia in a pension context

# Inaction inertia



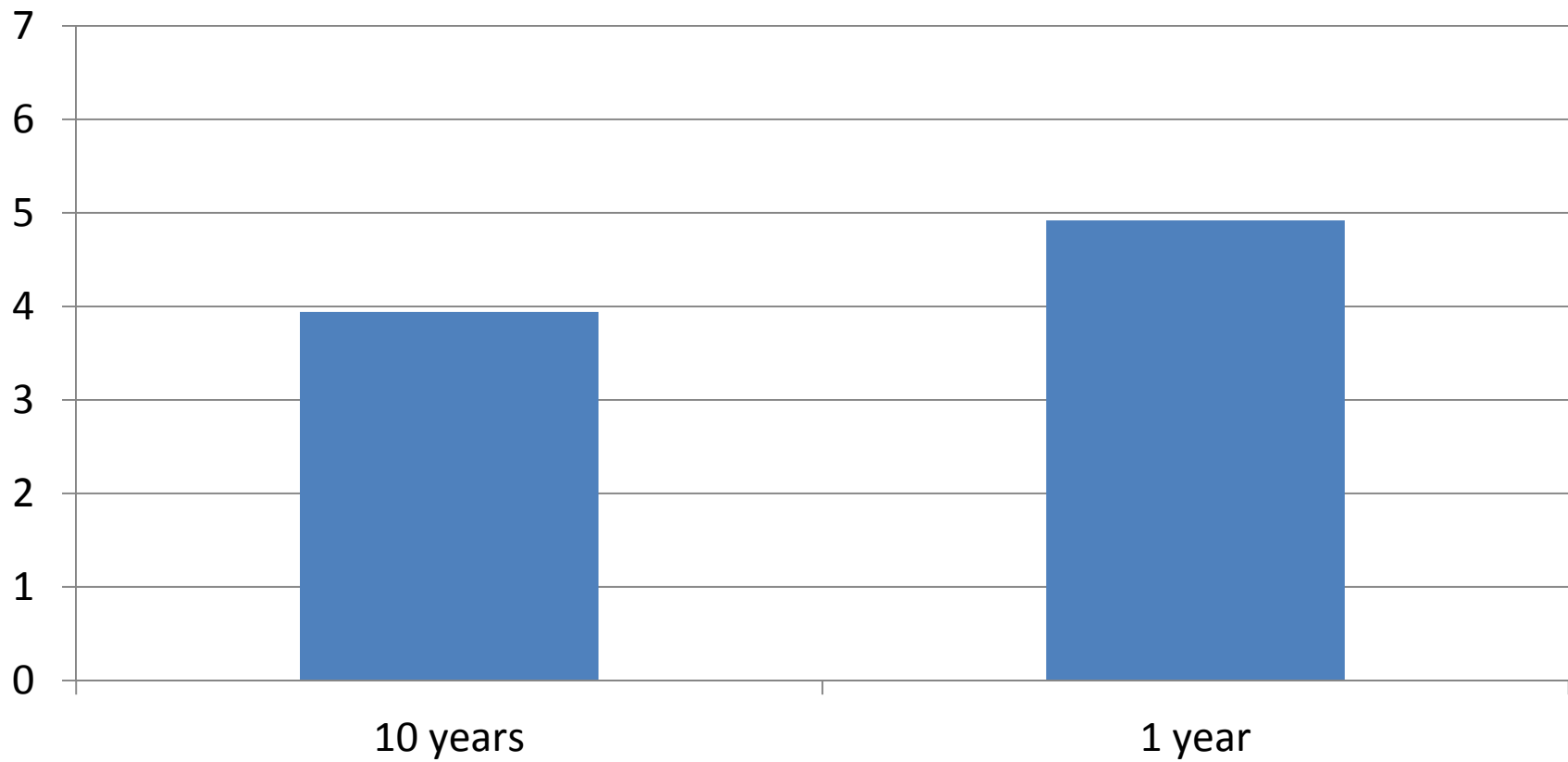
Ten years [One year] ago, when you started working for Company A, you were offered the possibility to enroll in the company's retirement plan. In a letter about the plan, it said: 'If you put in \$250 [\$450] each month, you will be able to live comfortably during retirement.'

The past 10 years [The past year] you repeatedly considered enrolling but you never got around to doing it. This week, you receive another letter about the possibility to enroll in the retirement plan. The letter says: 'If you had enrolled 10 years ago [1 year ago], you would have put in \$250 [\$450] per month. To accumulate the same wealth you would now have to put in \$500 each month.'

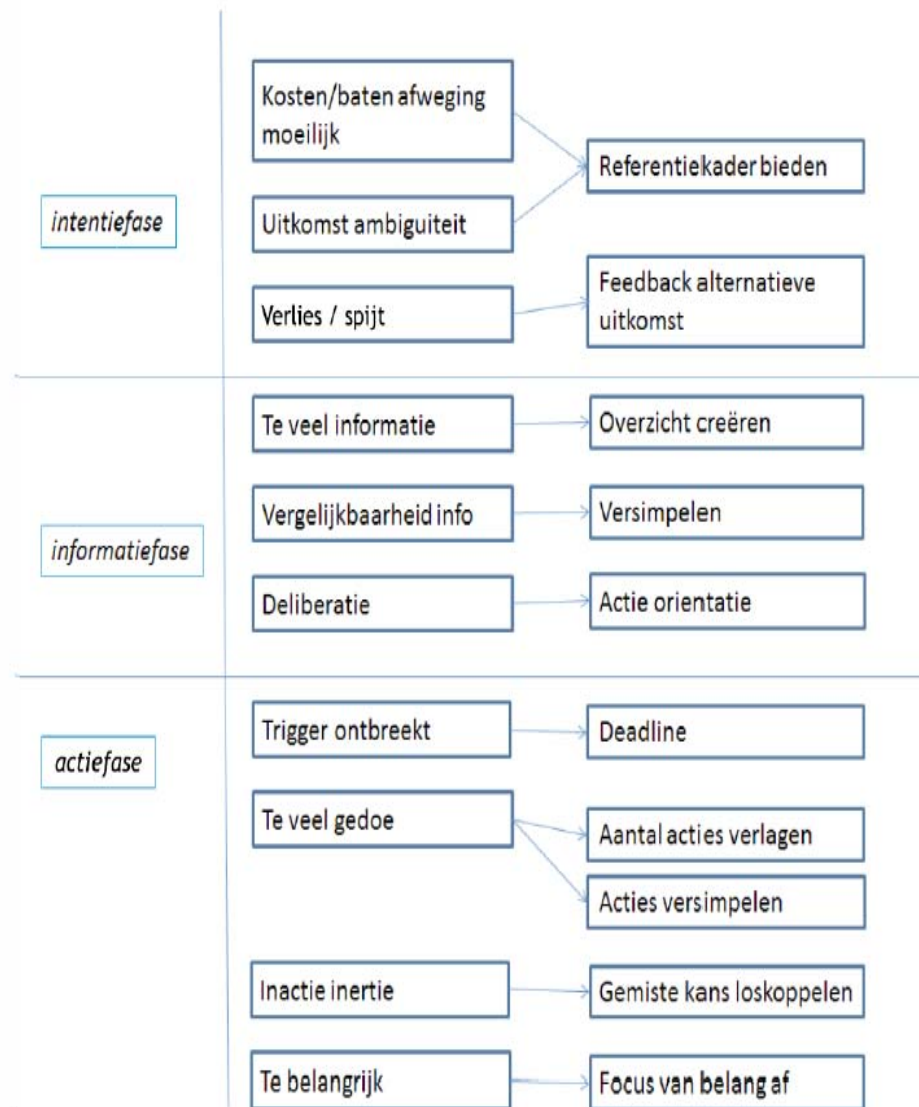
Given that you would now have to put in \$500 each month, how likely is it that you would enroll in the retirement plan this year?" 1 ("very unlikely") to 7 ("very likely").

# Inaction inertia

enrollment



**Figuur 1.** De blokkades die inertie kunnen veroorzaken en de factoren die ze kunnen opheffen, uitgesplitst per fase van het keuzeproces.





# Kortom...

- Experts and non-experts take decisions differently
- We need to understand how non-experts process information, such that...
- Knowledge can be transferred better
  - Lower threshold to form intentions
  - Simplify information processing
  - Provide means to make an informed decision

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