

Proposed Choice Architecture for Independent Contractor Retirement Savings

“Insufficient retirement savings among independent contractors: the present outweighs the future.”

Jona Linde – Maastricht University

Independent contractors, on average, are not saving enough for retirement. This is not necessarily a conscious decision on their part, but a result of motivators such as procrastination, impatience, and the fact that people tend to give more weight to consumption now than consumption later. One way to help them achieve sufficient retirement savings would be to integrate a retirement savings module into the income tax return. Nudges such as a standard saving schedule with an opt-out option could be just the push they need to start saving more.

Principal Findings

- A significant group of ICs fails to meet their personal retirement goals, but mandated saving also does not work to everyone's advantage.
- Opt-out retirement savings plans are effective at inducing ICs to save.
- The tax return appears a suitable vehicle for initiating this form of retirement saving, for ICs in particular.
- The proposed retirement savings module presents three graduated options, whereby it is always possible to opt out. ICs do have to make a choice, but the savings amount selected can be €0 (see figure).

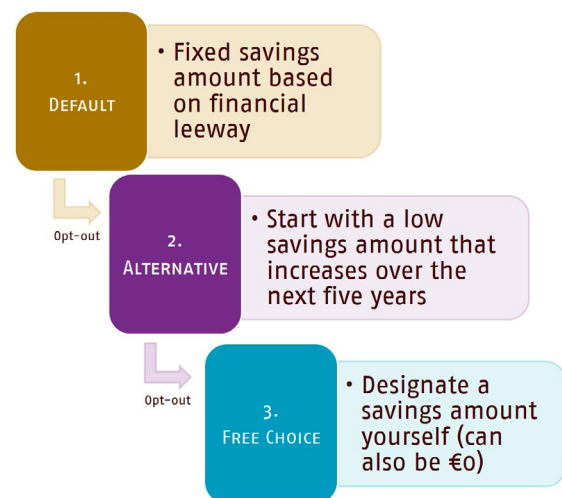


Figure: Example of the proposed savings module with opt-out options on the income tax return

Key Takeaways for the Industry

- Information on tax advantages and expected (extra) retirement income can encourage saving.
- Presenting various saving options in a graduated manner also helps boost people's willingness to save.
- It helps if people can withdraw money from their retirement savings under certain circumstances.



Want to know more?

Download the paper '[Voorstel keuzearchitectuur pensioensparen voor zelfstandigen](#)' (available in Dutch only)