

Choice in Pensions: Insights from the Swedish Premium Pension System



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Choice in Pensions?

Choice in Pensions – the New Black?



Meer keuze tussen vast of flexibel pensioen

Nieuws 23-11-2015 0 reacties Print dit artikel

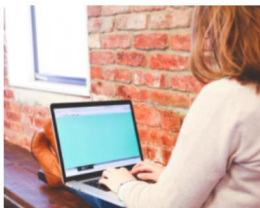


Mensen krijgen straks meer keuze in de manier waarop zij hun opgebouwde pensioen laten uitkeren.

D66

D66 krijgt het voor elkaar
Goed onderwijs, goed klimaat, goed werk

Maak mensen baas over eigen pensioen



D66-Tweede Kamerlid **Steven van Weyenberg** komt vandaag met een plan om het huidige pensioenstelsel aan te passen.

Van Weyenberg: "Het Nederlandse pensioenstelsel is dringend aan vernieuwing toe. Met het huidige systeem is niemand gelukkig: het is ingewikkeld om te zien hoeveel pensioen je hebt opgebouwd en onduidelijk of je dat

Werknemer wil zelf pensioen kiezen

Instream

Als het aan uw werknemers ligt, krijgen ze meer vrijheid om hun pensioen zelf te bepalen.



De meerderheid van de werknemers wil meer eigen keuzes kunnen maken rondom het eigen pensioen. 70 procent van de werknemers heeft een behoefte aan meer keuzevrijheid. Zo blijkt uit nieuw onderzoek van het Sociaal Cultureel Planbureau (SCP) over hoe werknemers naar het huidige pensioenstelsel aankijken.

Gewenste keuzemogelijkheden

Werkenden willen het liefst meer inpraak



Research question

Research question

We analyse people's perception of the Premium Pension System, with respect to 5 interrelated constructs:



Choice overload



Subjective knowledge



Fund choice & branding paradox



Risk aversion

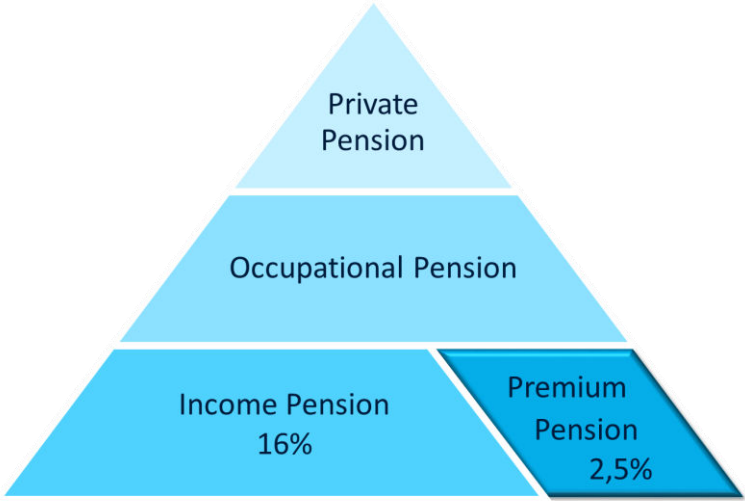


Expected financial well-being



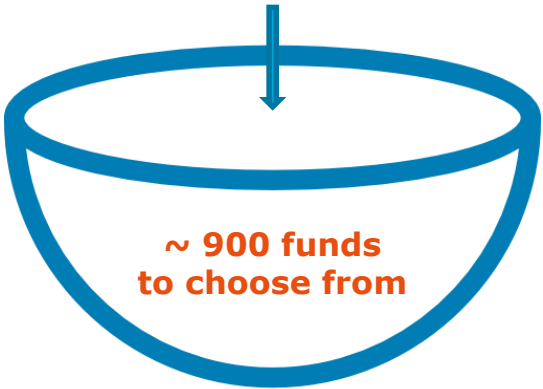
Swedish Premium Pension

Swedish Premium Pension System



First investment selections in fall 2000

2.5% of taxable income is saved in the Premium Pension System



select up to 5 funds



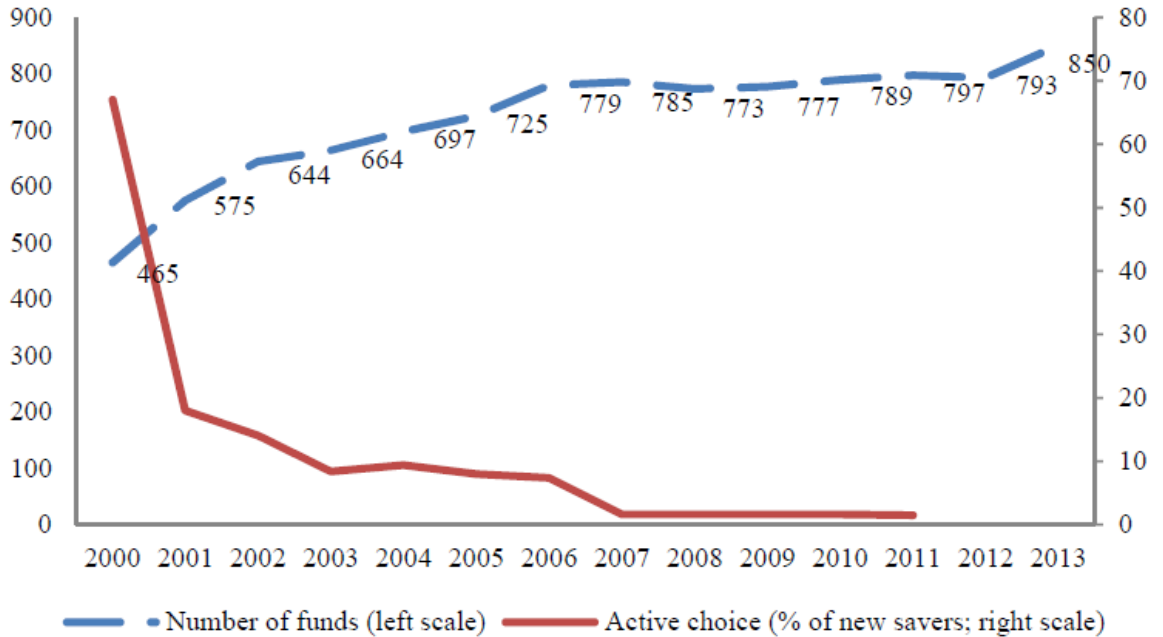
stay with default fund





Previous Research

Previous research





Swedish survey

Swedish Premium Pension Data



RESPONDENTS

- Total questionnaire links send out: 14,093
- Questionnaire links opened: 26.5%
- Valid respondents: 3001
- Valid response rate: 21.3%
- Age: 25 – 65
- 53.8% male; 46.2% female

NON-RESPONSES

- Dropouts: 268
- Refusal: 8
- Respondents after quota was full: 461
- Non-response rate: 5.2%



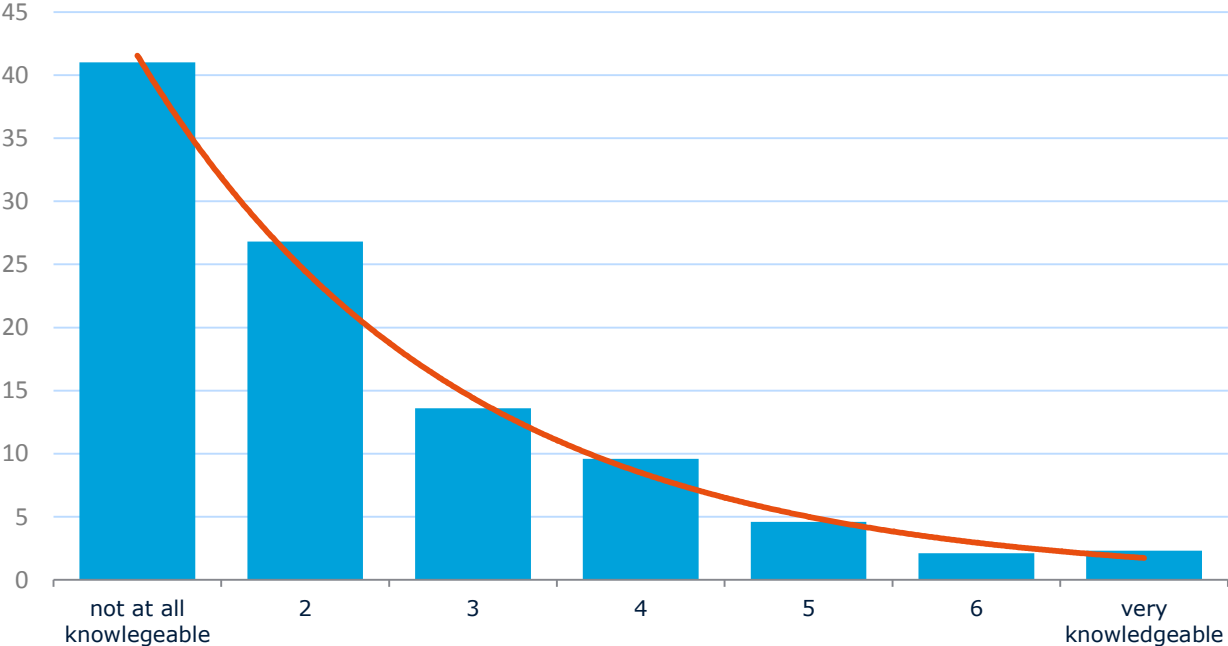
Perceived knowledge

Perceived knowledge

Age group 25-34 years



81% young Swedes feel unknowledgeable about the premium pension (categories 1-3)

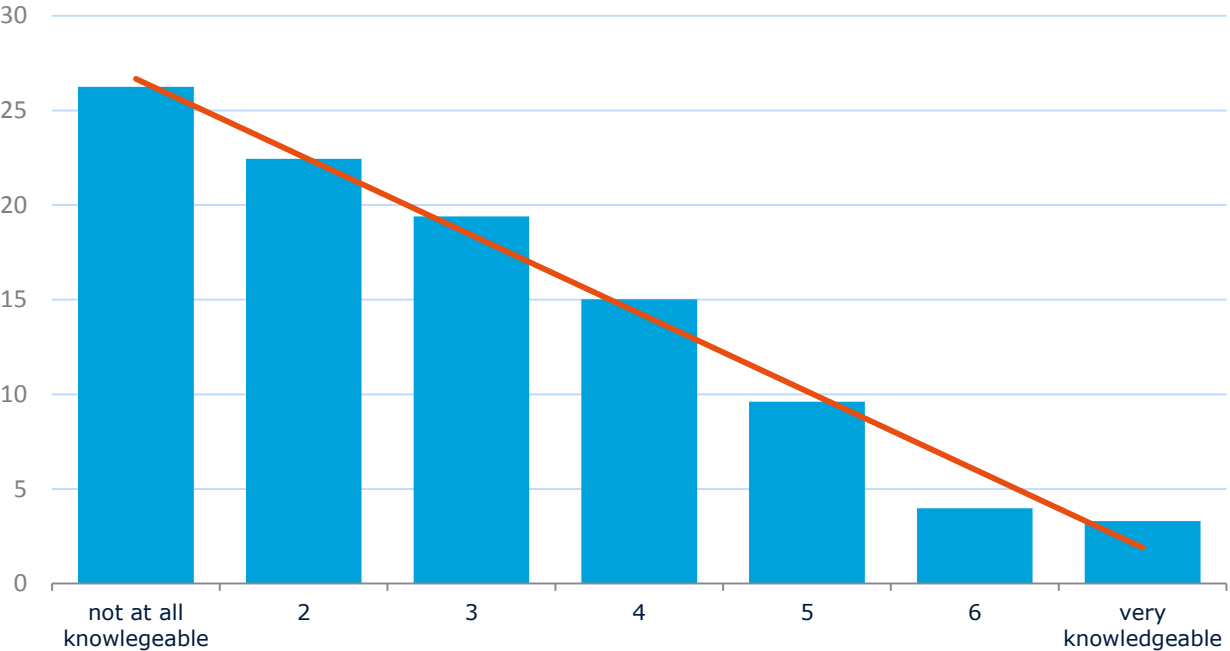


Perceived knowledge

All age groups: 25-65 years



68% of respondents feel unknowledgeable about the premium pension (categories 1-3)



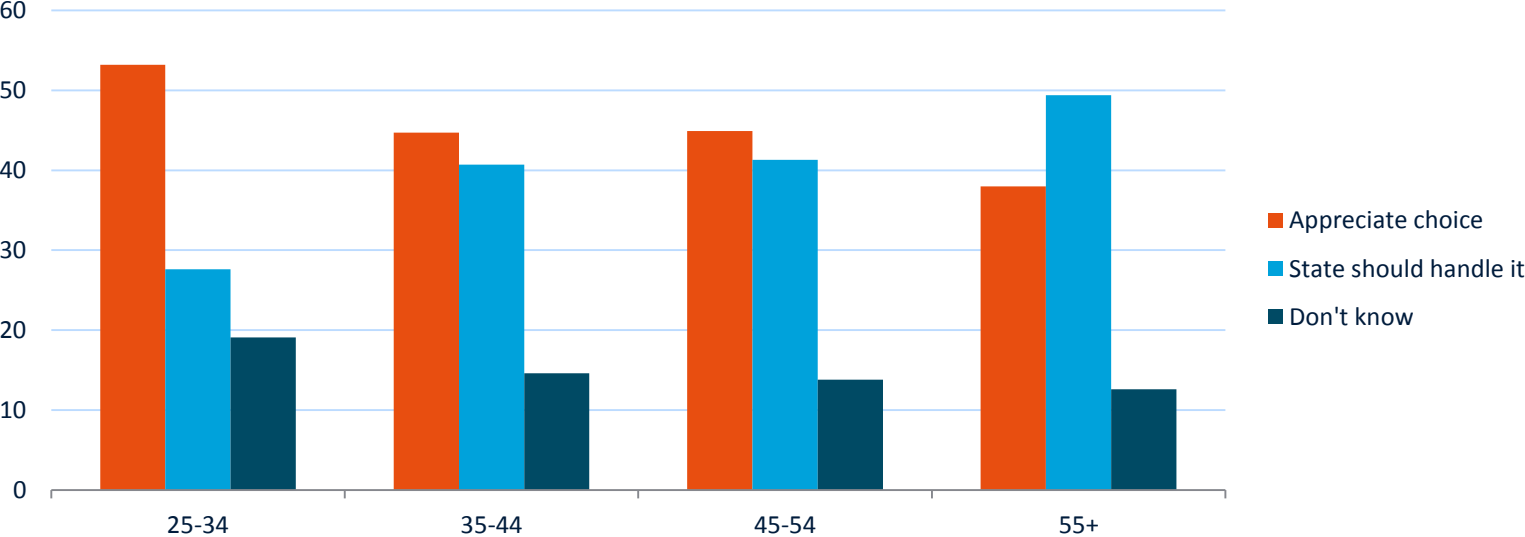
C H O I C E

Appreciation vs. Actual Behaviour

Choice Appreciation

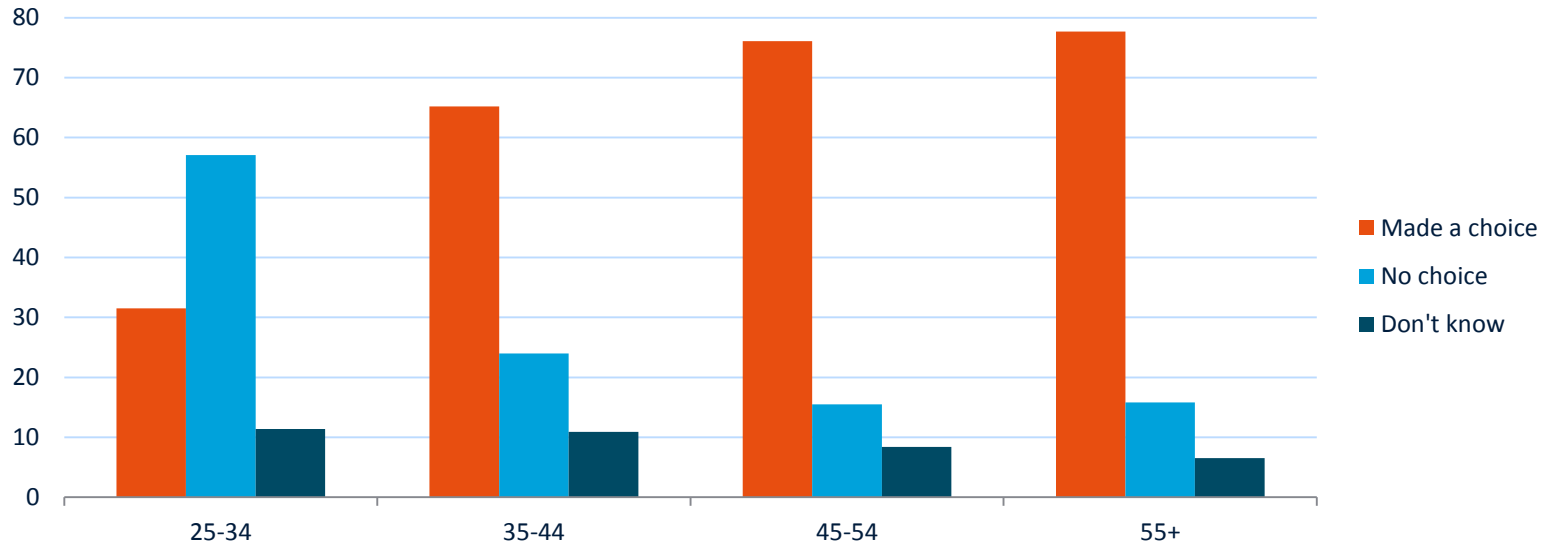


Younger people appreciate choice significantly more than older people



Actual Choice Behaviour

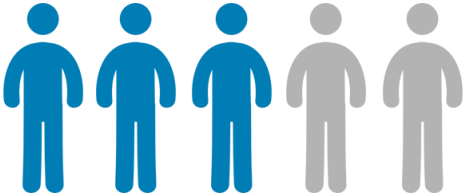
... but 57% of the young did not choose a fund





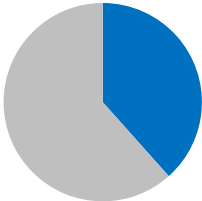
Fund Selection Behaviour

Fund selection



64% selected a fund

4 out of 10 could not remember how many funds they chose

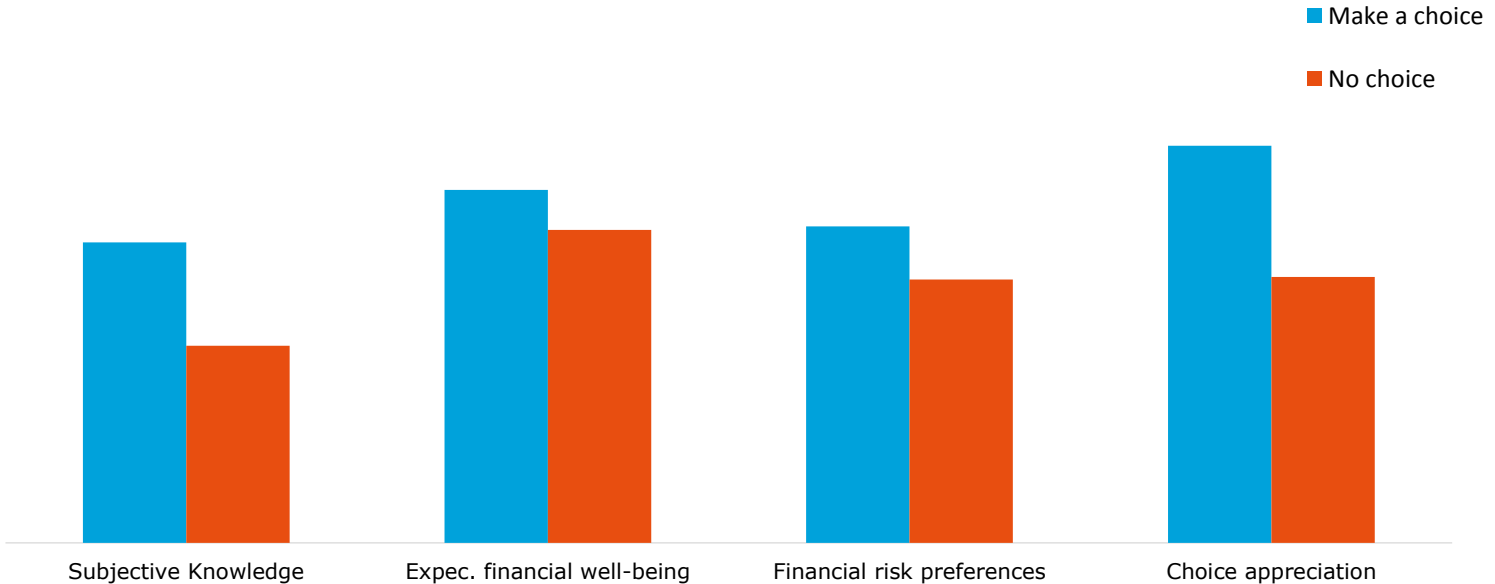


Those that could remember selected on average 3 funds



Respondents who chose a fund:

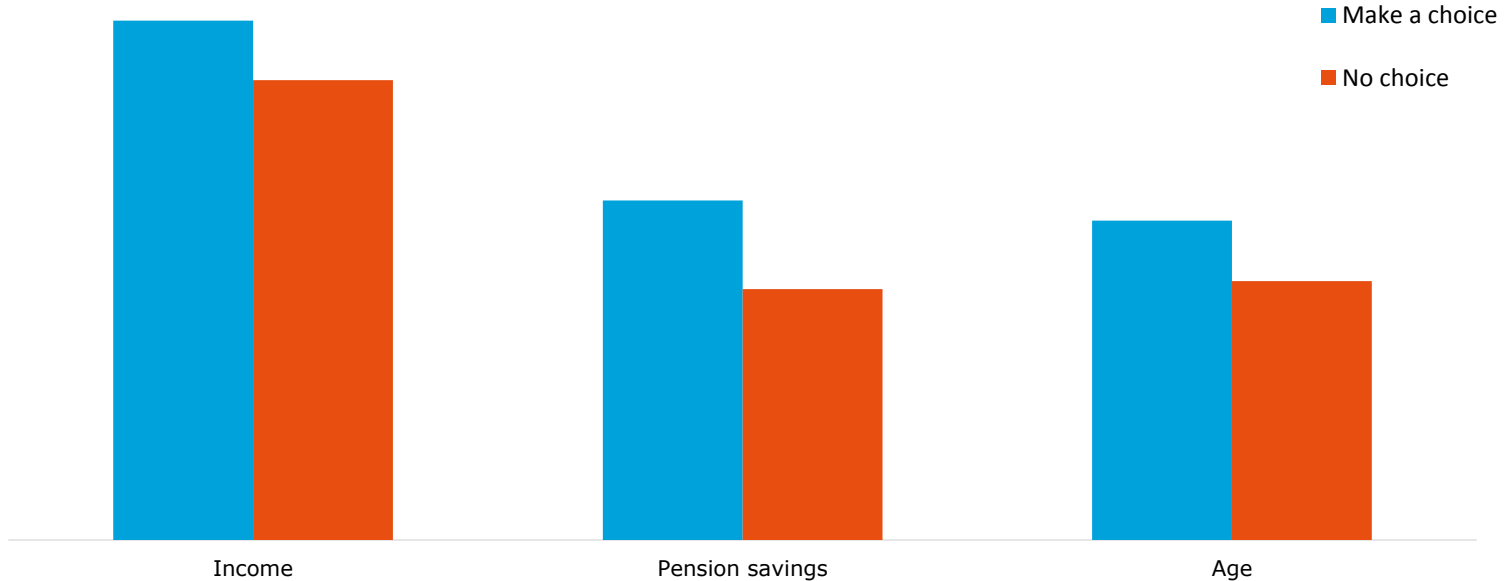
- have a higher perceived knowledge
 - are more optimistic about their future financial well-being
 - have higher risk preferences
 - appreciate choice more
- ...than people who did not chose a fund for their premium pension

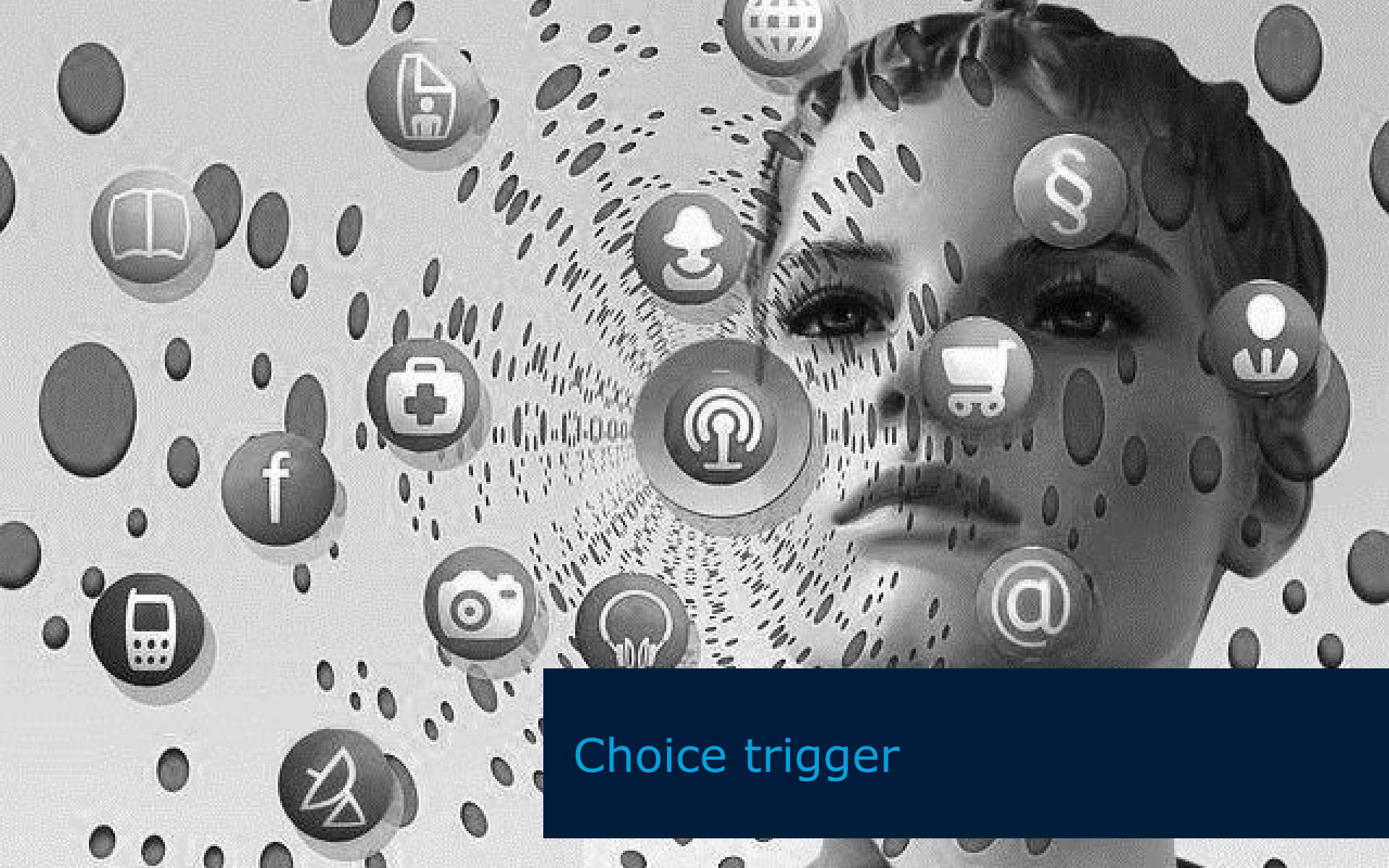


Respondents who chose a fund:

- **have significantly higher incomes**
- **have significantly higher private savings**
- **are significantly older**

...than people who did not chose a fund for their premium pension





Choice trigger

Choice trigger

The three most important



Orange envelope



Financial advisor



Family, friends + colleagues



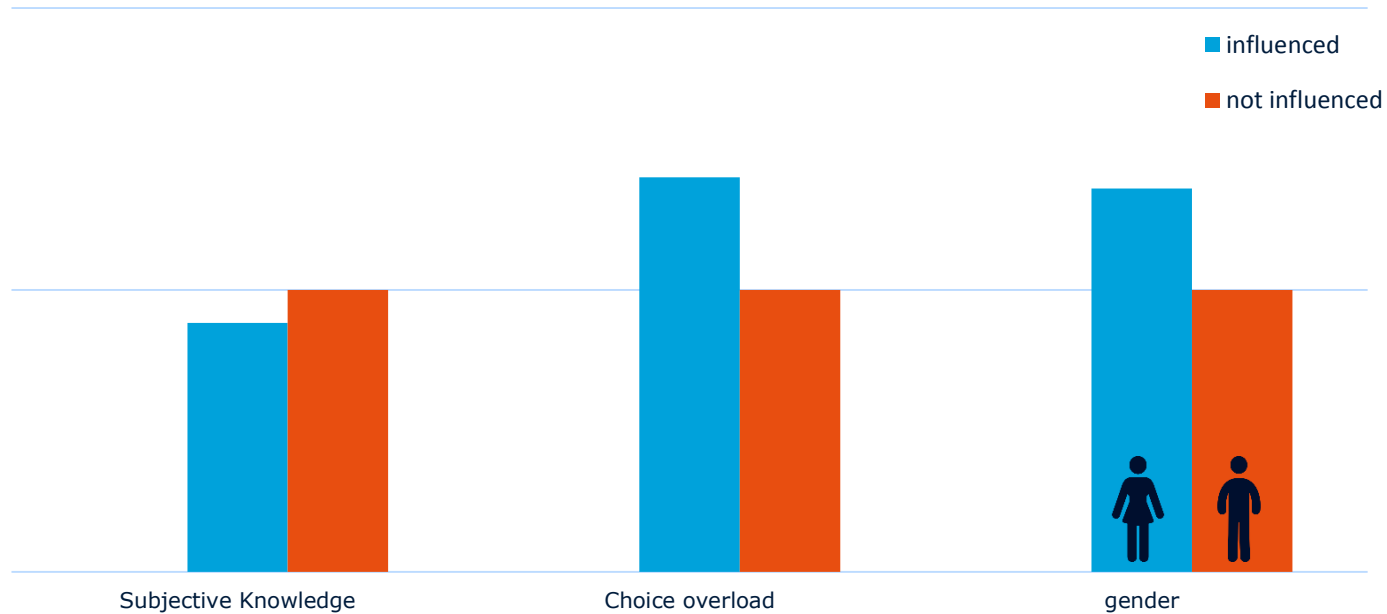


People who were actively
influenced

Respondents who are influenced by the opinions of others when choosing a fund:

- have significantly lower subjective knowledge
- perceive significantly more choice overload
- are more likely to be female

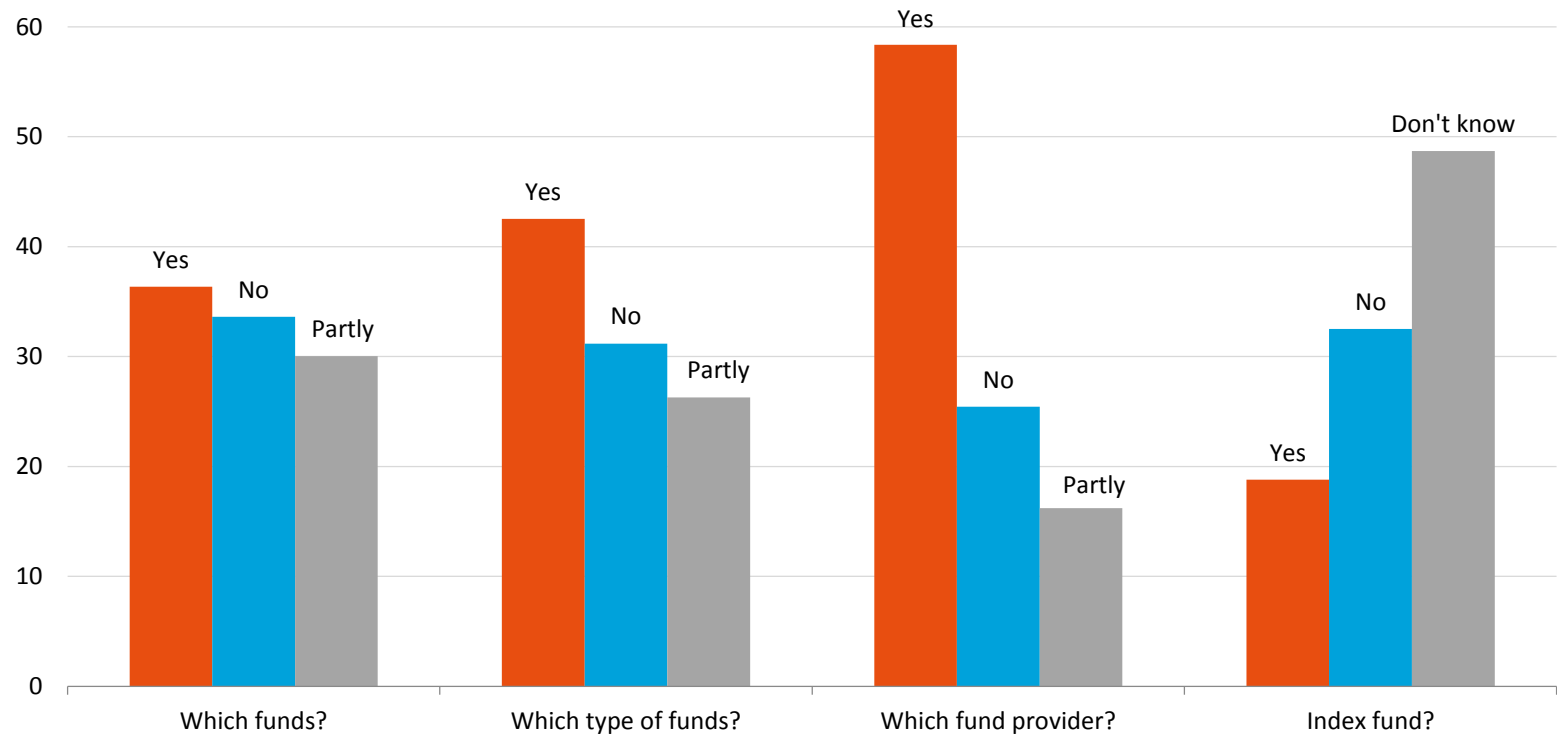
...than people who are not influenced by others when choosing a fund for their premium pension





What people know about their fund(s)...

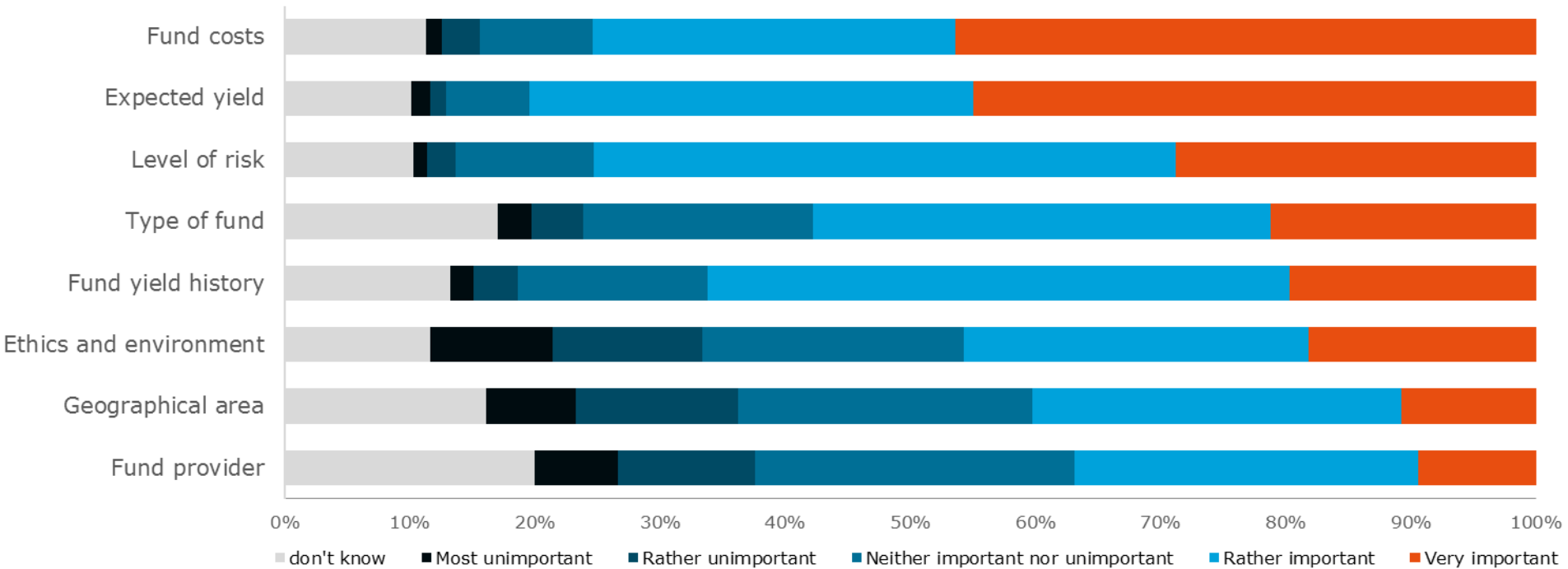
- Most know fund administrator, but have less knowledge on chosen fund or type of fund
- Many seem insecure and remember only partly
- 19% of people have an index fund, 49% don't know





What fund characteristics people look for...

- **Expected yield and fund costs most important, followed by level of risk and type of fund**
- **66% find yield history very or rather important**
 → **past returns do not predict future returns and should therefore not influence fund choices**

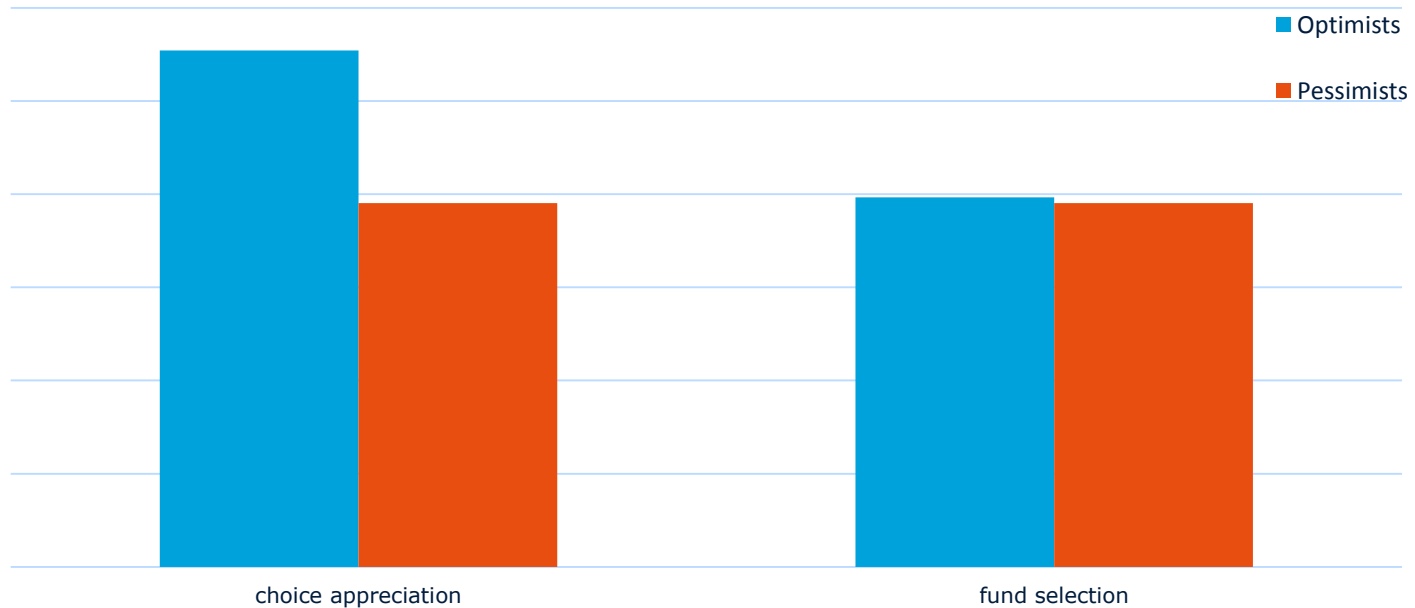




Expected financial well-being

People who feel optimistic about their financial well-being at retirement have a higher appreciation for choice than people who feel pessimistic

Selecting a fund does NOT affect people's expectations about their future well-being!



*** optimists show higher levels of perceived knowledge

*** optimists are more likely to be female, younger, have at least a college or university degree and higher income levels

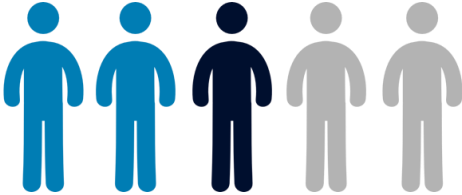
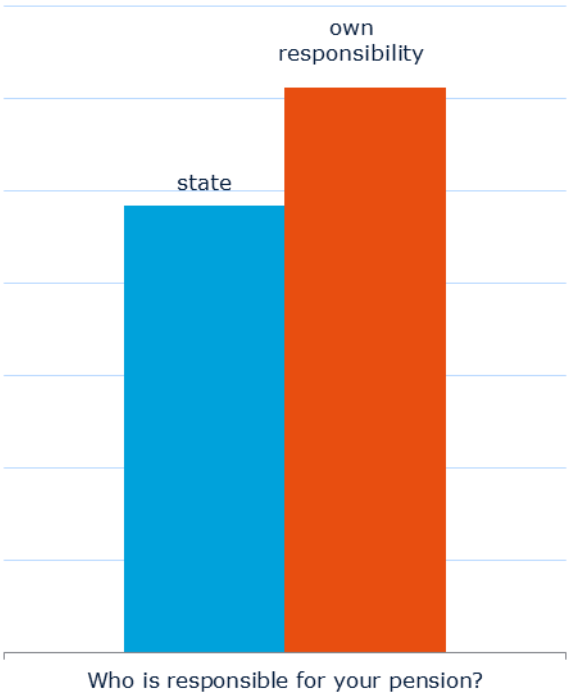


Pension responsibility


- state vs. own responsibility -

State vs. own responsibility

Respondents believe to a greater extent that it is their own responsibility to save money



Yet, 2 in 5 do not appreciate choice, while 1 in 5 has no opinion

A black and white photograph of a road stretching into the distance. A large white arrow is painted on the road, pointing towards the horizon. In the foreground, the year '2017' is painted in large, white, stylized letters on the asphalt. The sun is low on the horizon, creating a bright glow and long shadows. The background shows a hazy landscape with mountains or hills under a cloudy sky.

2017

Data implications

Data implications

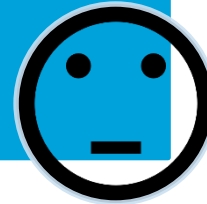
- Increases expectations of financial well-being

Choice appreciation



- No effect on financial well-being

Fund selection



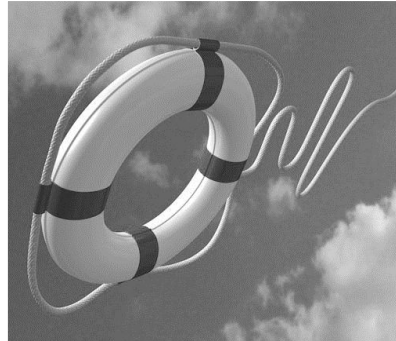
Data implications

Swedes with low perceived knowledge



- opt more often for the default
- are more likely to be influenced in their decision
- feel less informed about their choice(s)
- feel more pessimistic about their future well-being

Swedes with low risk preferences



- opt more often for the default

Swedes who face choice overload



- opt more often for the default
- are more likely to be influenced in their decision
- feel less informed about their choice(s)

The 7 steps in designing a good choice environment

1. Determine **goal** (Choice? Default?)
2. Determine **design of alternatives** (# of attributes, aligned, ordered)
3. Determine **design of choice set** (# of alternatives, categorization)
4. **Presentation** of choice set (Sequentially? Alternative or attribute? Default?)
5. **Influencers** on decision making (Framing, priming, fluency)
6. **Test** choice environment (focus groups, interviews, surveys, experiments)
7. **Adjust** choice architecture if needed
Share insights!

WHAT'S
YOUR
CHOICE?

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Lisa Bruggen



Elisabeth (Lisa) Brüngen

Questions & Answers



Expected retirement age

Expected financial well-being (-more on this topic-)

Expected sources of income

Fund Selection Behaviour (-more on this topic-)

Fund Switching Behaviour

Choice trigger (-more on this topic-)

Contacts that actively influenced people in their decision

How informed people felt...

Pension responsibility (-more on this topic-)

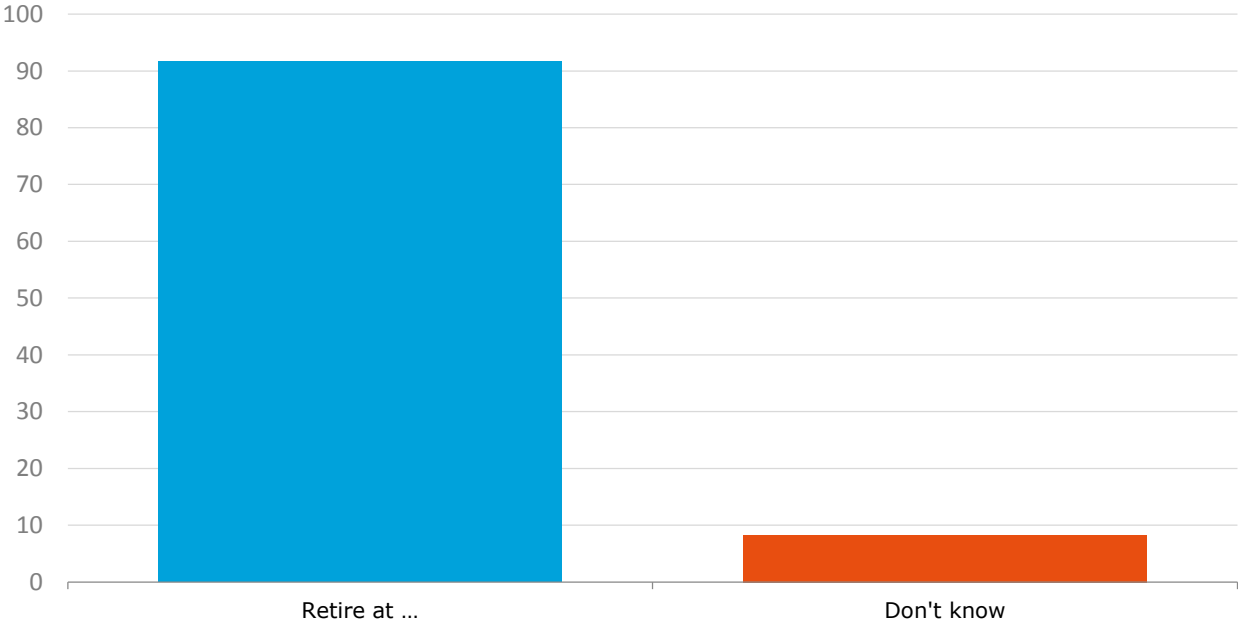


Expected retirement age

Expected retirement age



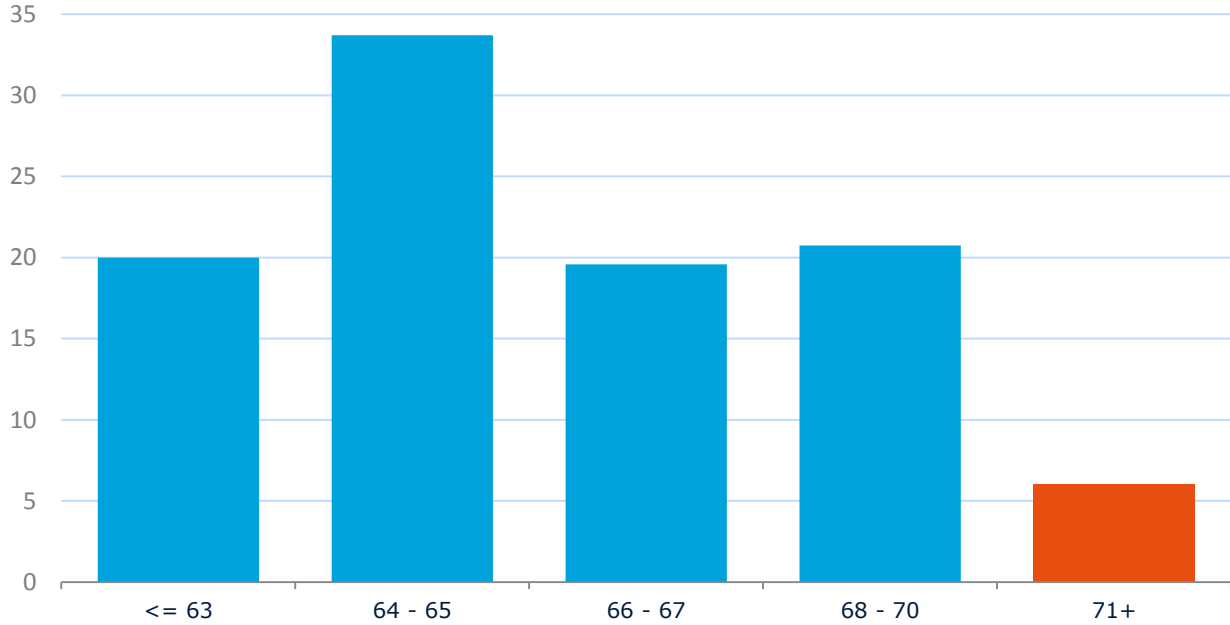
- **92% of respondents can envision at what age they will retire**



Expected retirement age

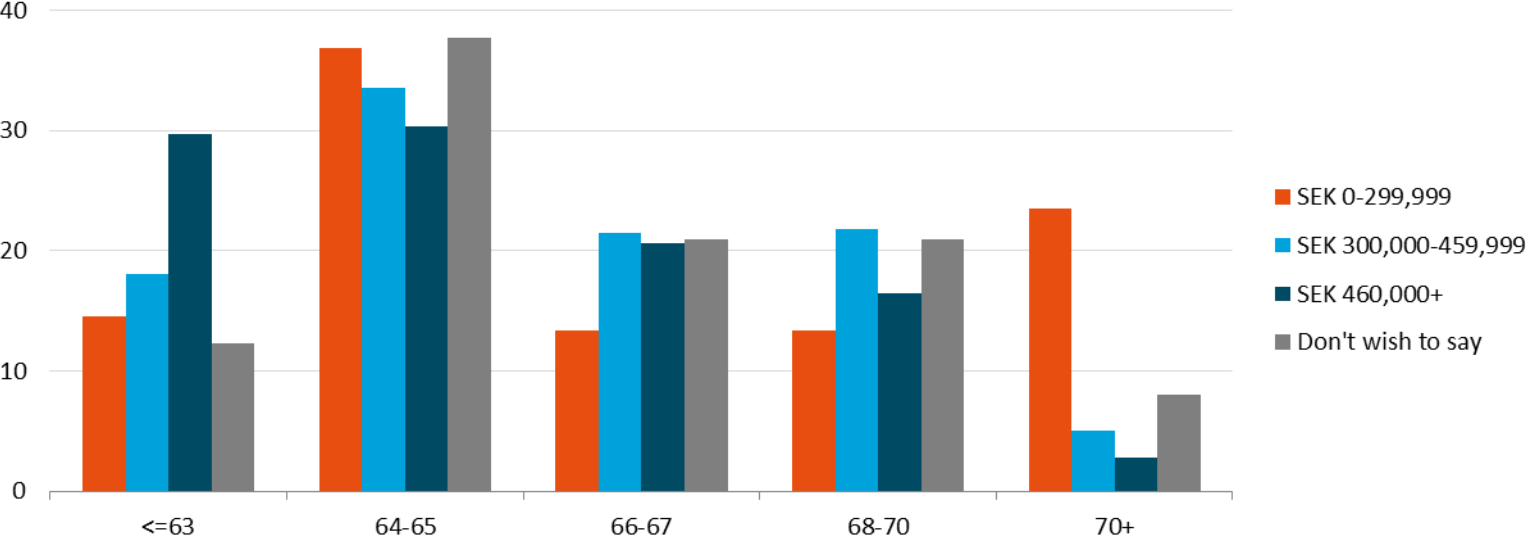


- **46% of respondents believe that they will be 66 or older when they retire**
- **some indicated that they will never retire before they die**



Expected retirement age

▀ Respondents with lower incomes expect to retire later





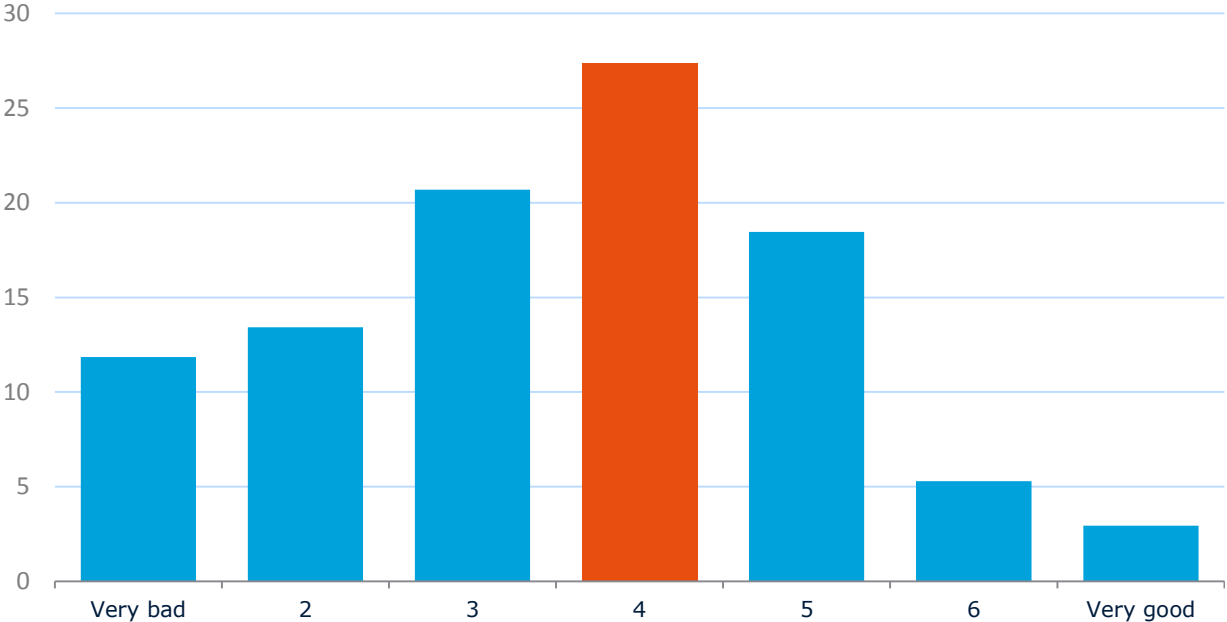
Expected financial well-being

- more on this topic -

Expected financial well-being

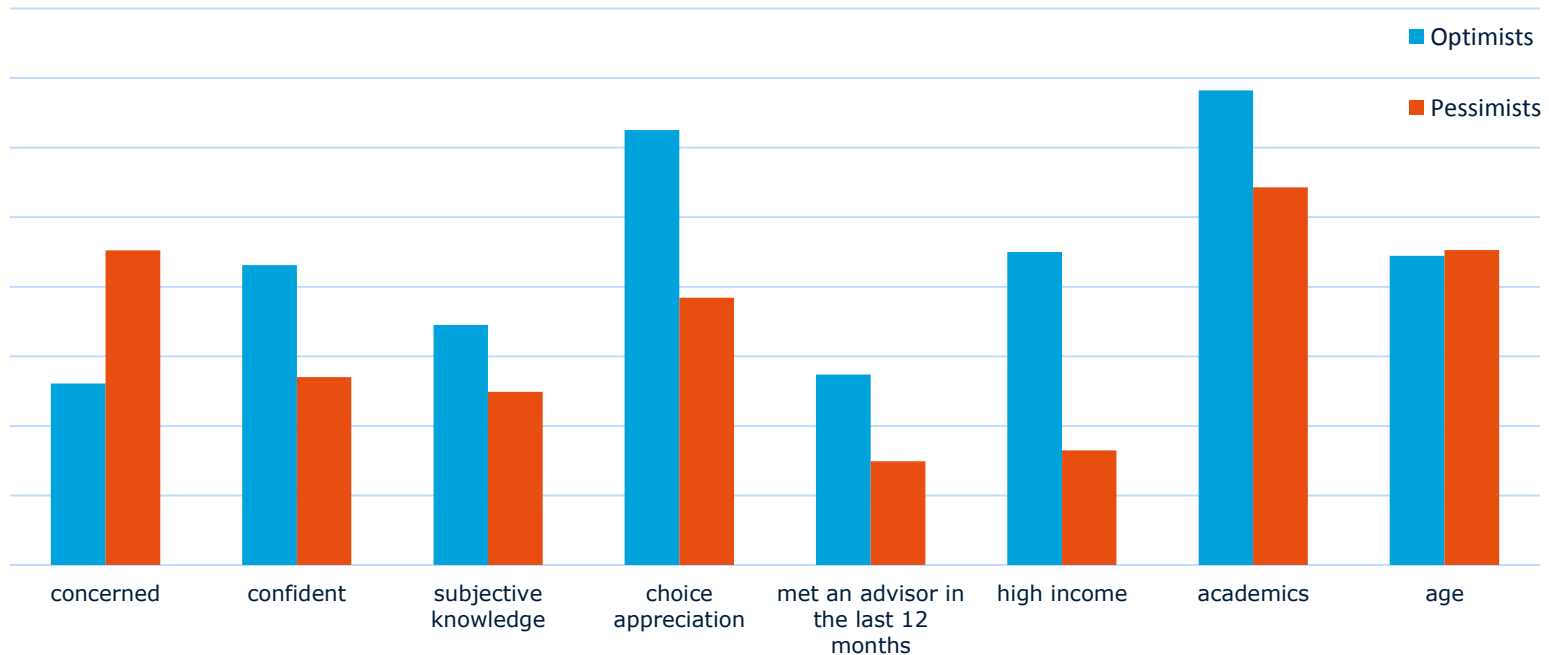


- **27% believe that their future financial well-being is neither good nor bad**
- **27% are more optimistic**
- **46% are more pessimistic**



People who feel optimistic about their financial well-being at retirement

- Feel less **concerned** and **more confident**
- Show higher levels of **perceived knowledge**
- **Appreciate to make fund choices themselves**
- **Are more likely to be female, younger, have at least a college or university degree and higher income levels**
- **Selecting investment fund(s) did not have a significant effect: those that selected a fund did not feel better off**



RETIREMENT

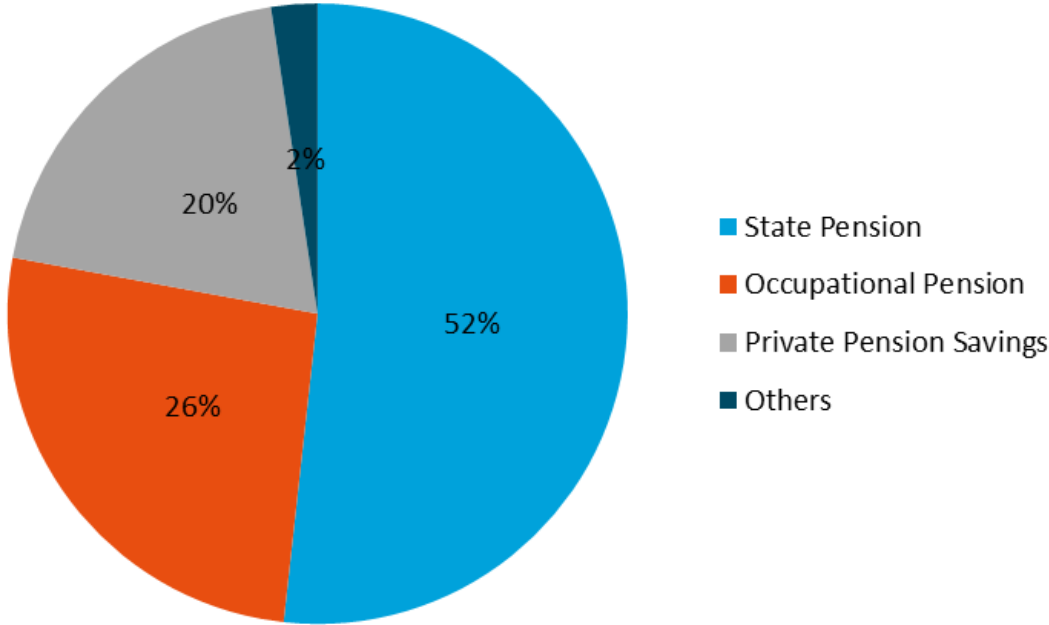


Expected sources of income

Expected sources of income



- **People expect 52% to come from the state pension**





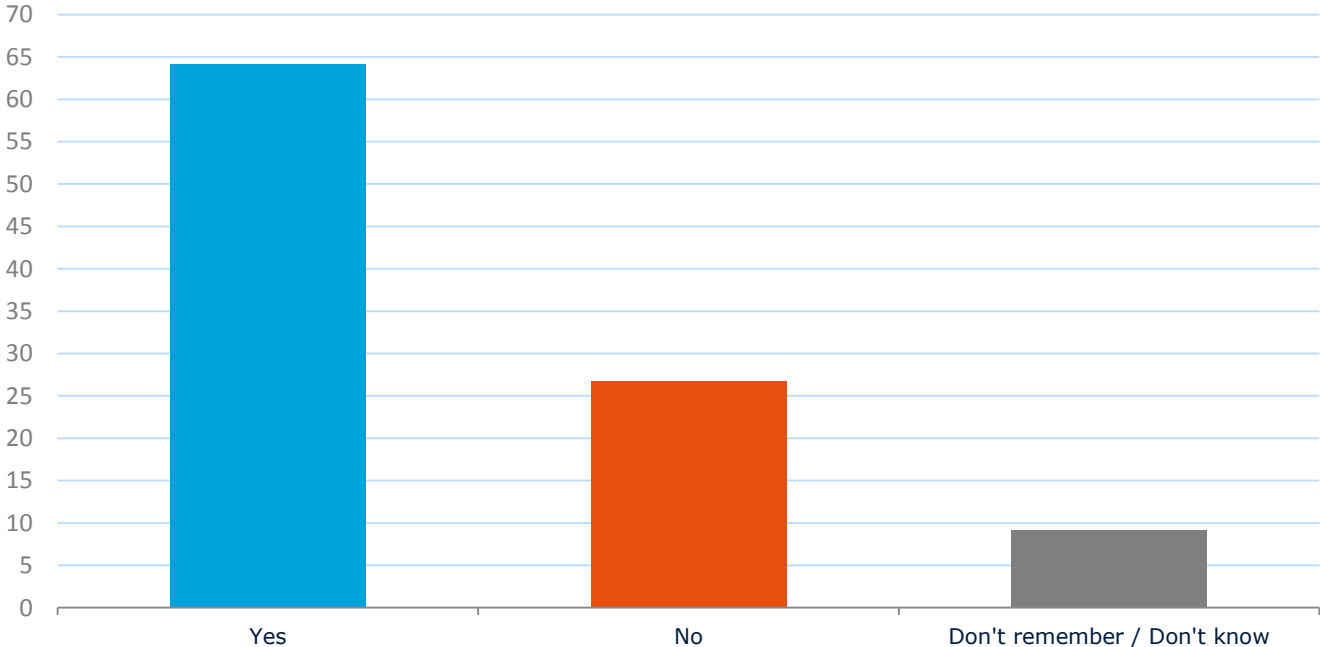
Fund Selection Behaviour

- more on this topic -

Fund selection



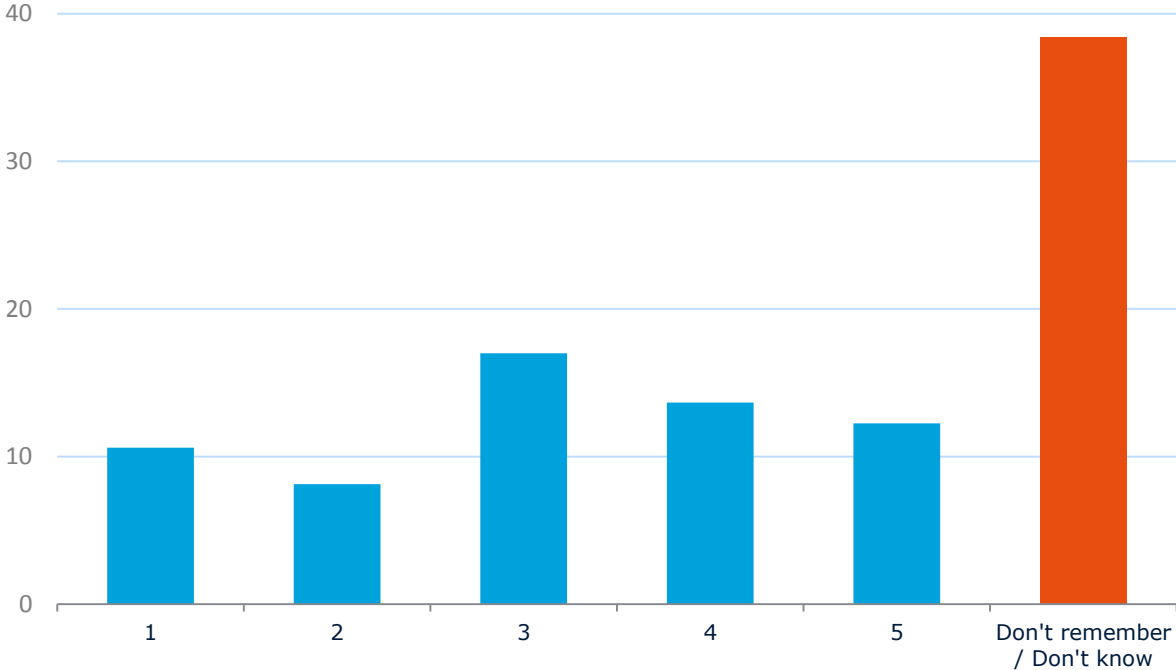
- **64%** indicated to have selected a fund at any time in the past
- **27%** did never select a fund and stayed with the default option AP7 Såfa
- **9%** could not remember if they ever selected a fund

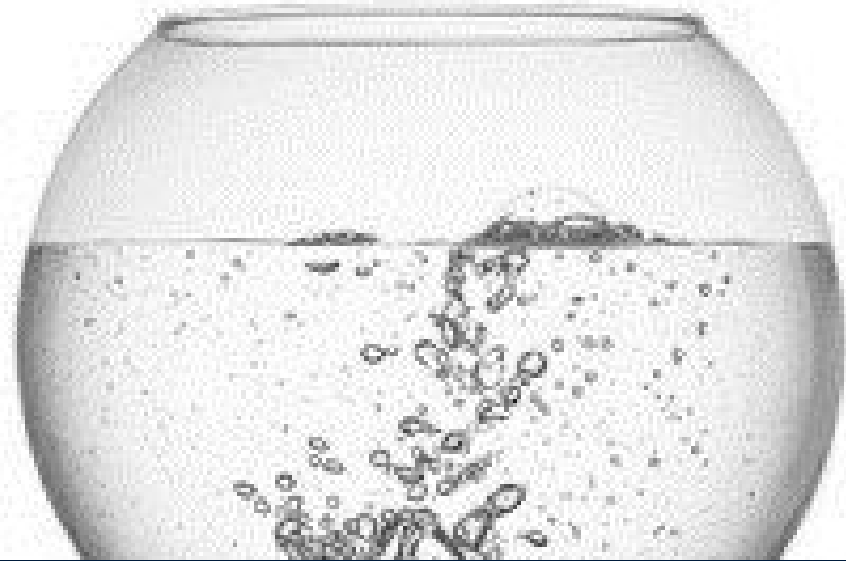


Fund selection



- **38% don't know how many funds they own**
- **For the ones who remember, the most common number of funds is 3**



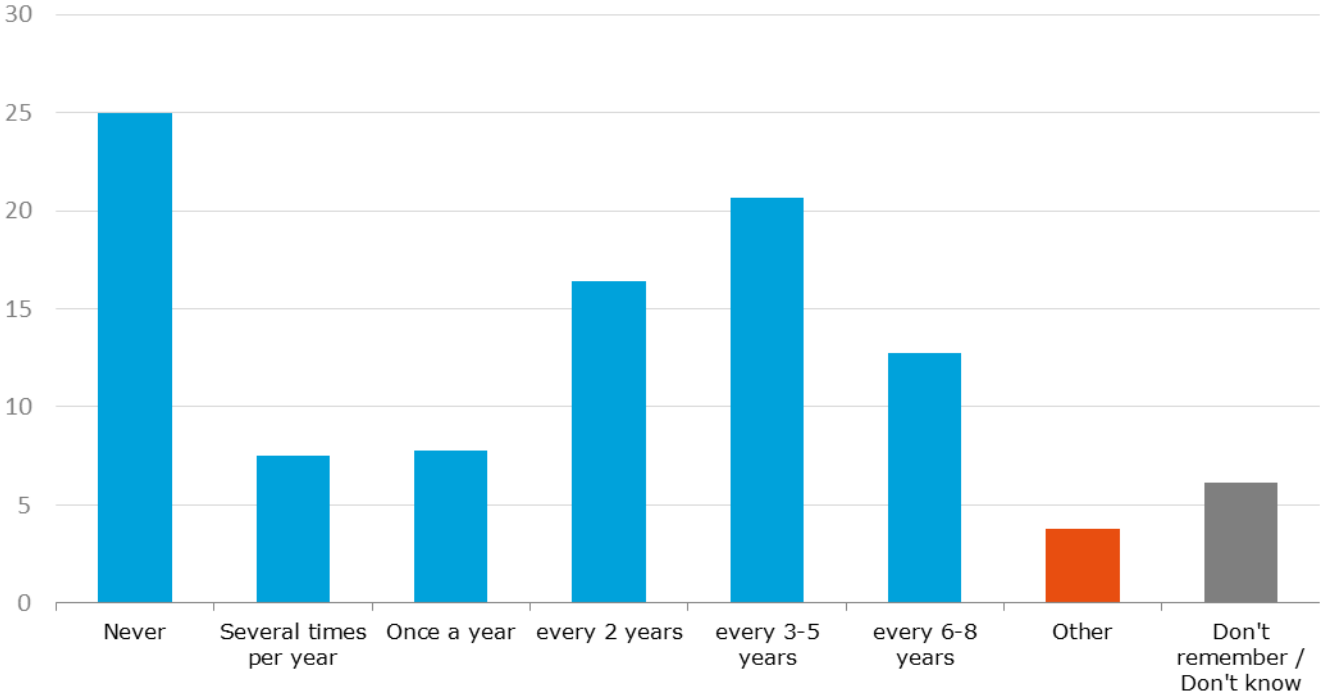


Fund Switching Behaviour

Changing funds



- **25% never change funds (after their first choice away from AP7 Såfa)**
- **21% change funds every 3-5 years**
- **8% change funds several times per year**





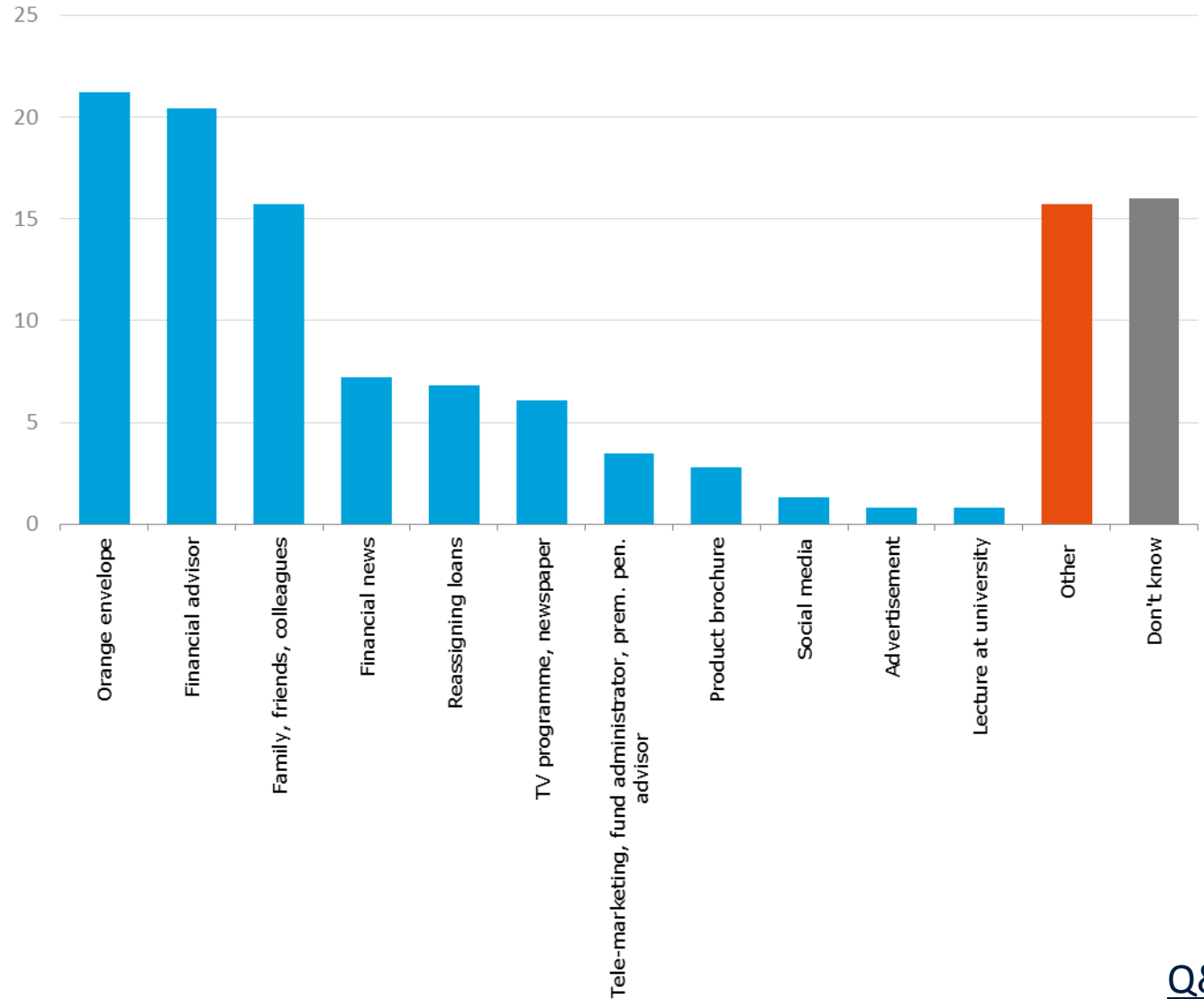
Choice trigger

- more on this topic -

The **three** most important triggers for the last fund change are:

- **Orange envelope**
- **financial advisor**
- **family, friends, colleagues**

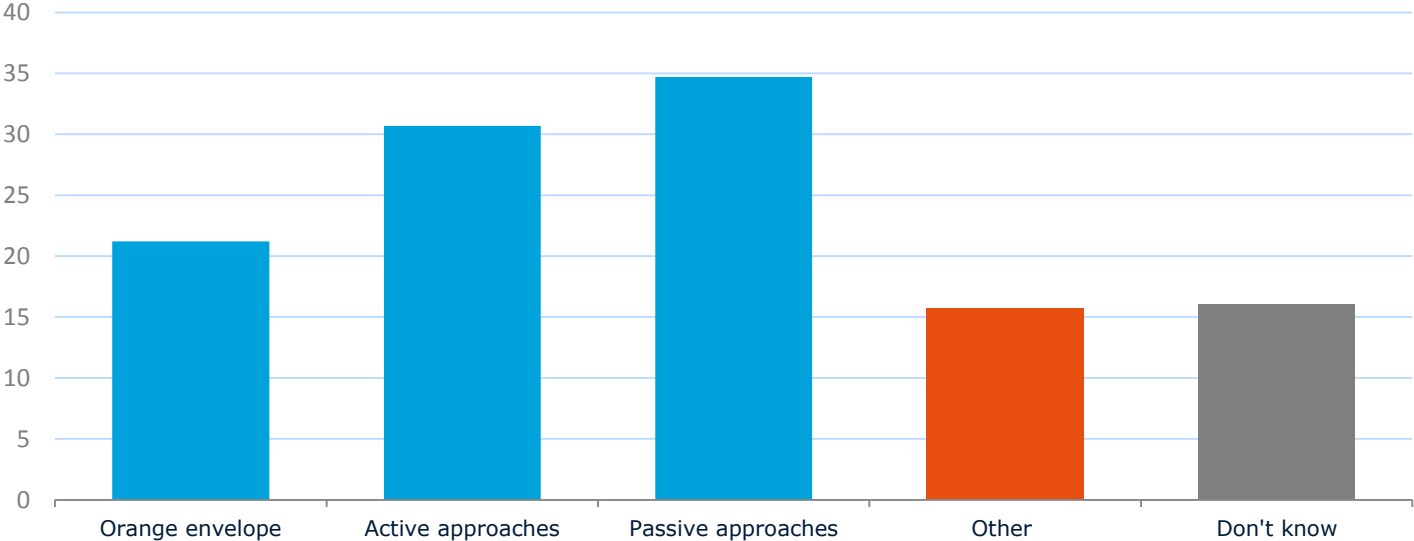
Respondents could have chosen more than one option.



Choice trigger



- **Active approaches** (e.g. financial advisors, reassigning loans, tele-marketing) are strong triggers for the last fund change (31%)
- **Passive approaches** can accompany active approaches (e.g. education, financial news, advertisement, friends, family, colleagues)
- **16% don't know what triggered them**



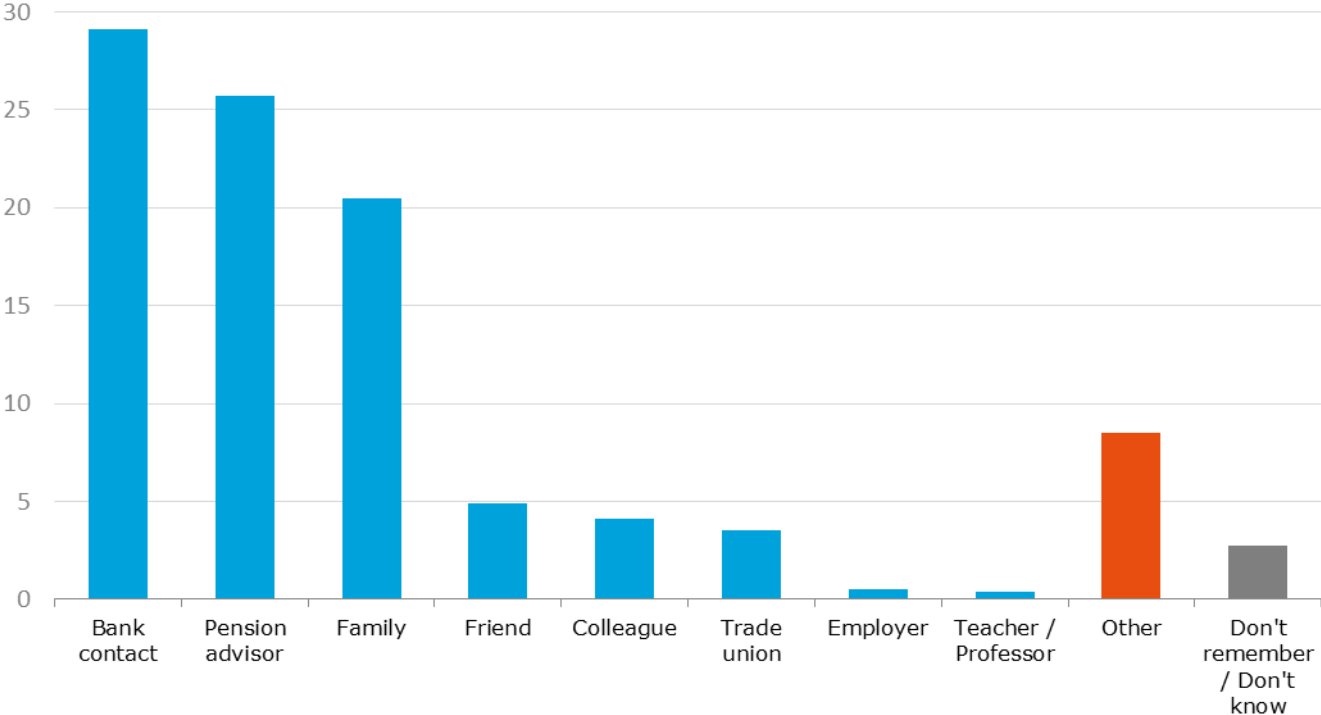


Contacts that actively influenced people in their decisions

External influences



- **Most important influencers are bank contacts, pension advisors and family members**

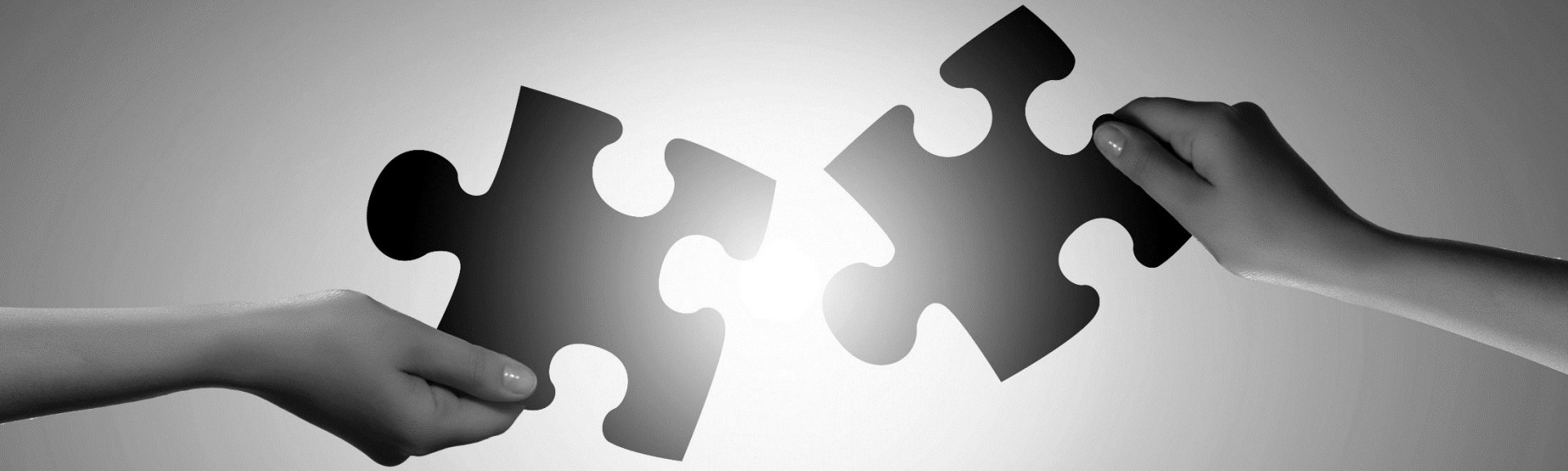


External influences



- **The professional network is a stronger influencer than the personal network**





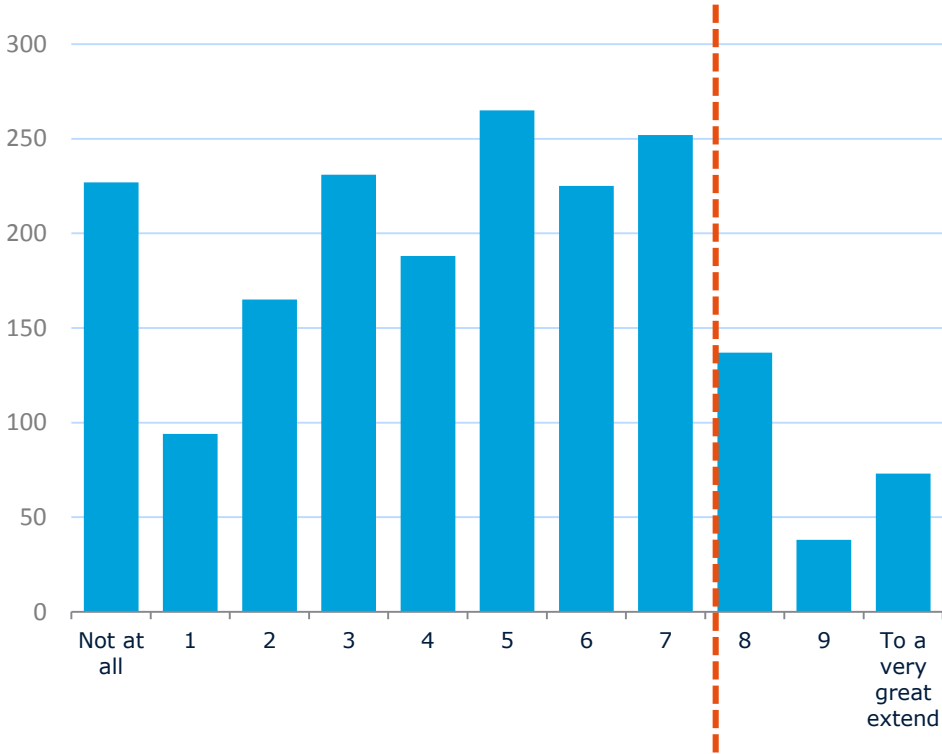
How informed people felt...

How informed people felt...

... when they selected investment fund(s)

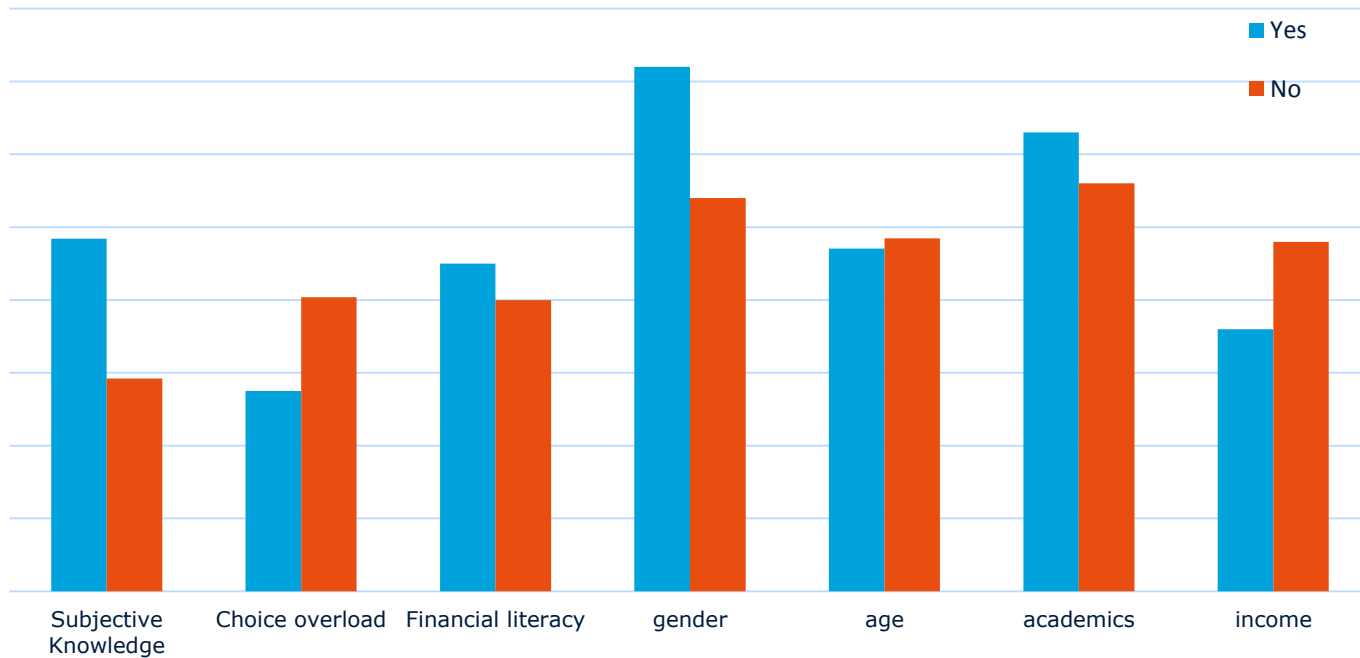


- Only 13% of respondents felt particularly well-informed (categories 8-10)



People who feel better informed about their fund choice

- Show higher levels of **perceived knowledge & financial literacy**
- **Perceive less choice overload**
- **Are more likely to be male, younger, have at least a college or university degree and lower income levels**





Pension responsibility

- more on this topic -

State vs. own responsibility

- **There is a significant difference in the respondent's perception as to which extent the state or the Swede himself/herself is responsible for a reasonable pension: On average people do not believe that the state will take full care of their pension and see themselves responsible to some extent**
- **Yet, 40.1% do not appreciate to choose their own funds, while 14.9% are insecure if making own choices is a good thing**

