



ARC CENTRE OF
EXCELLENCE IN
**POPULATION
AGEING
RESEARCH**

Financial decision making in and for old age

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DECISIONS

DELIBERATIVE

IMPULSIVE

**DELEGATED
OR SHARED**

**DOMAIN-SPECIFIC
KNOWLEDGE/
SKILLS**

**PROCESSING
ABILITY**

**INTUITION, RULES
OF THUMB AND
BIASES**

**FAMILY /
FRIENDS**

FIN. ADVICE

TECH

**1. FIN.
LITERACY
BOOSTING**

**2. COGNITIVE
HEALTH
BOOSTING**

**3. CHOICE
ARCHITECTURE
NUDGING**

**4. SUPPORTING/
REGULATING /
PROVIDING**

e.g., Olivia Mitchell's work

e.g., Kaarin Anstey's work

e.g., Hazel Bateman & Susan Thorp's work

e.g., Julie Agnew's work

What's going on?

What can we do?

Age effects

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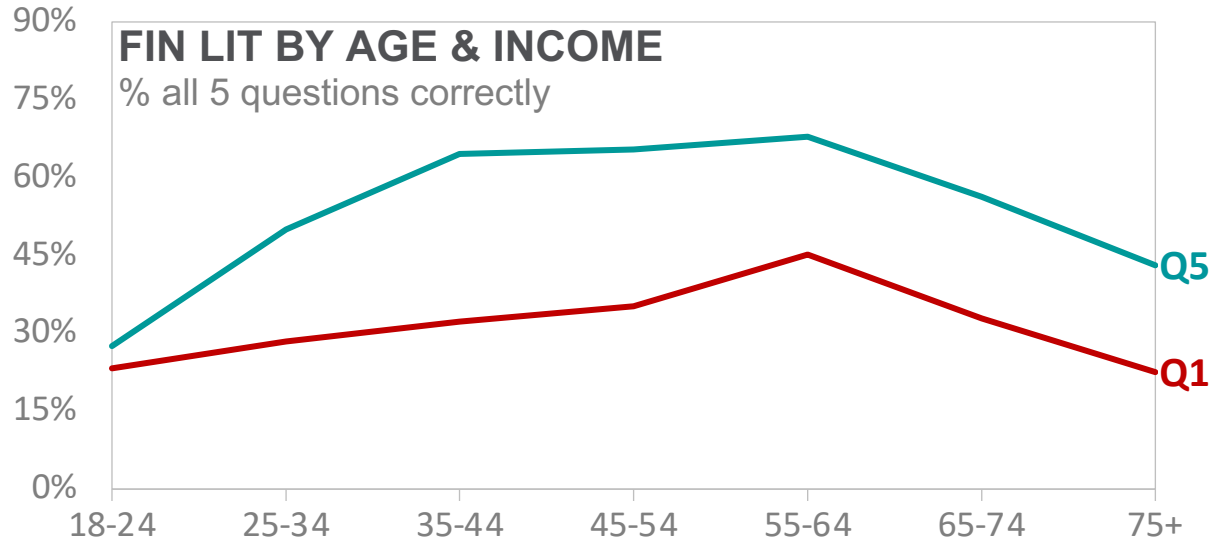
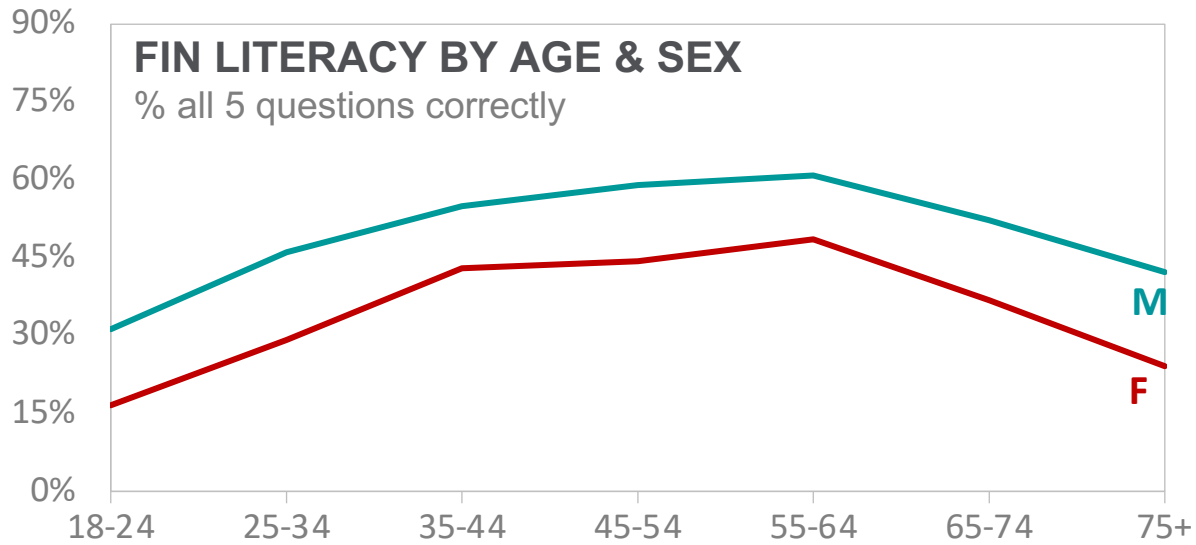
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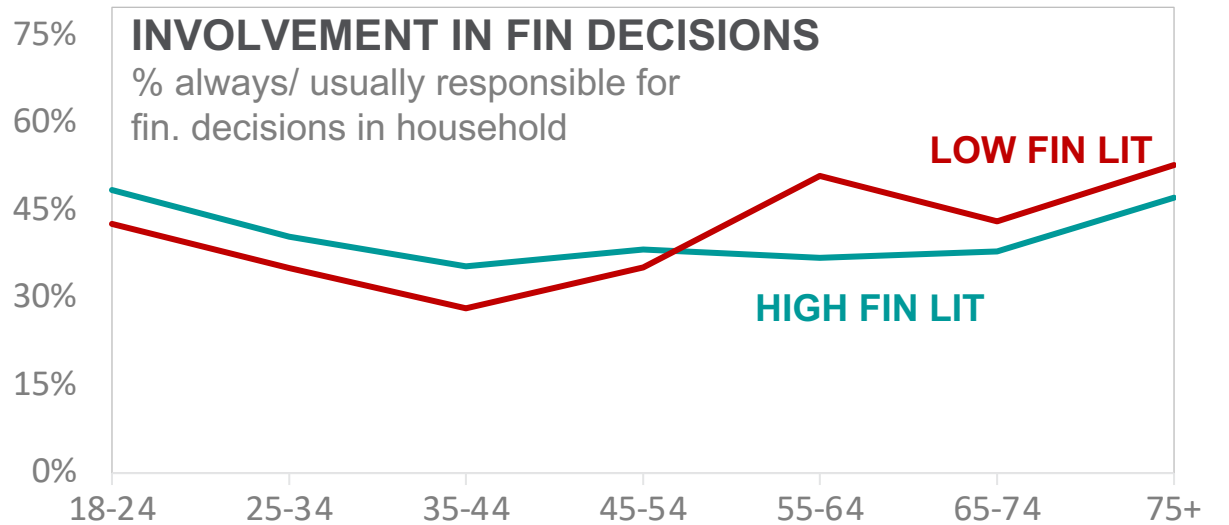
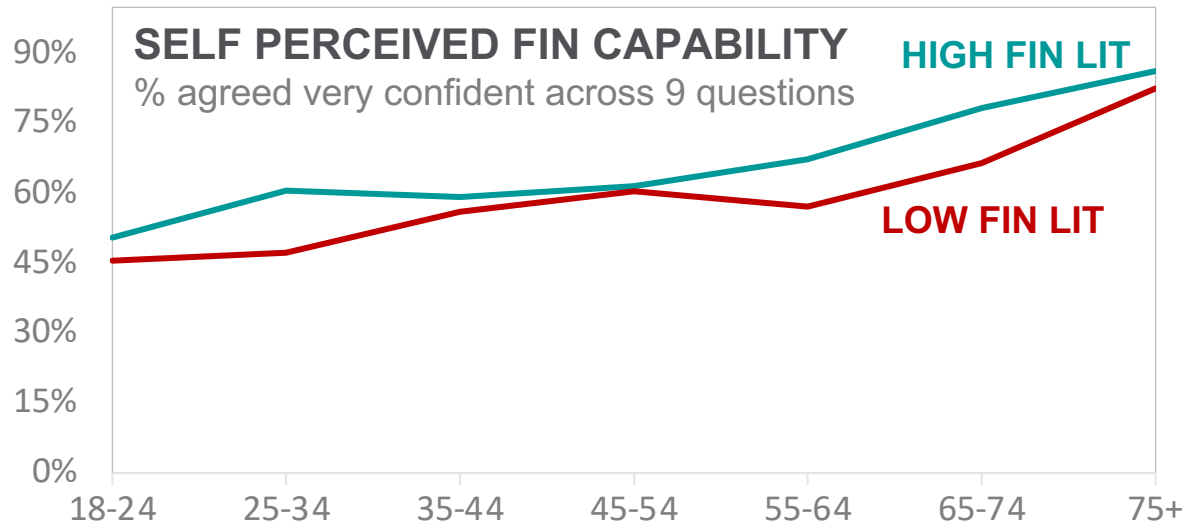
TECH

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1.1 Financial literacy is low and declines with age after mid-50s



...while confidence and involvement in decisions increases with age



1.2 There are already some interventions to boost fin. literacy

Target group	Agency	Program	Focus
General	ASIC	Moneysmart	Consumer tools and education
	Services Australia	Manage Your Money	Consumer tools and education
	ATO	Boosting your Super campaign	Superannuation awareness
	ATO	Your Future Your Super	Aiding with product choice
	Ecstra Foundation	Community Benefits Payments	Community resources and grants
Young	ASIC	Moneysmart for teachers	Teacher resources and funding to integrate fin. lit.
	ATO	Tax, Super + You	Secondary school resources
	ATO	Paying it forward	Primary school resources
	ATO	Teacher professional development	Primary school teacher courses
Women	PM&C	Preventing Financial Abuse project	Targeted actions, info, workshops
	Ecstra Foundation	Funding for women's economic security	Support initiatives
Low income / vulnerable	ATO	Tax Help Program	Free help to lodge a tax return
	Services Australia	Financial Information Service	Free in-person/phone/vid-chat fin. decision help
	DSS	C'th Financial Counselling and Financial Capability	Volunteer-based, free financial decision help
CALD	ATO	Migrant education	Education on tax and super
Indigenous Australians	PM&C	Indigenous Women's Financial Wellness Strategy	Support with money skills
	ASIC	Indigenous Outreach Program	Support to target population and industry
Small business	ATO	Small Business Program	Support for tax, super, and growing business
	DESE	Entrepreneur Facilitator Initiative	Information and advice
	DESE	Exploring Being My Own Boss Workshops	Self-employment information and support

1.3 Some interventions are shown to work better than others

1. **Early exposure, classroom-based**
2. **Experiential, personalised**
3. **Just-in-time, educative nudges**

CEPAR HIGHLIGHT

Bateman, Louviere

Thorp, Iskhakov et al. 2018

Just-in-time info

Participants had to make decisions about how to use financial products.

Receiving clear *just-in-time* product information was more important for driving good decisions than pre-existing financial literacy level

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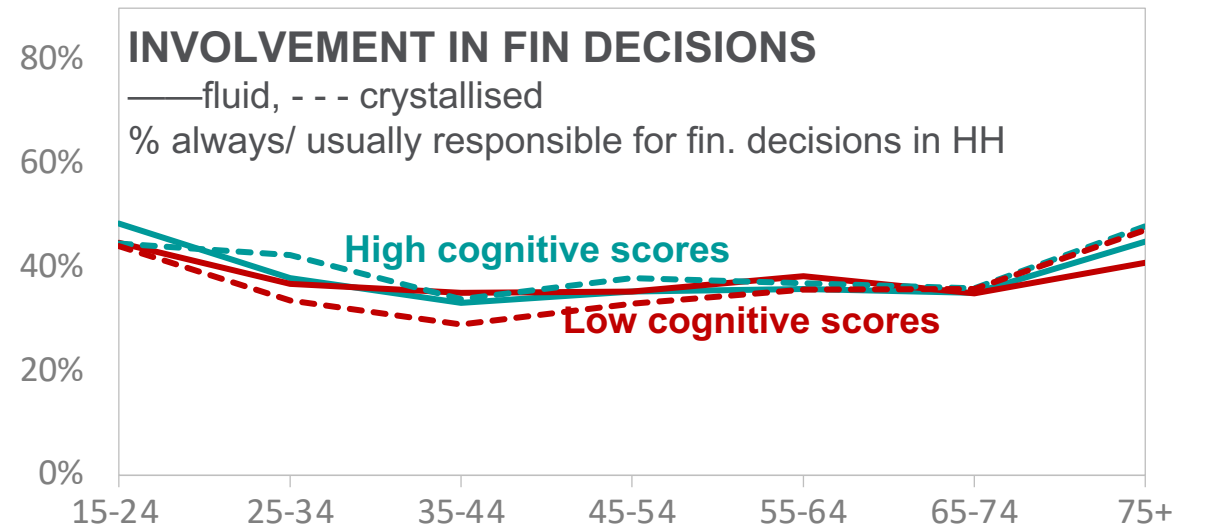
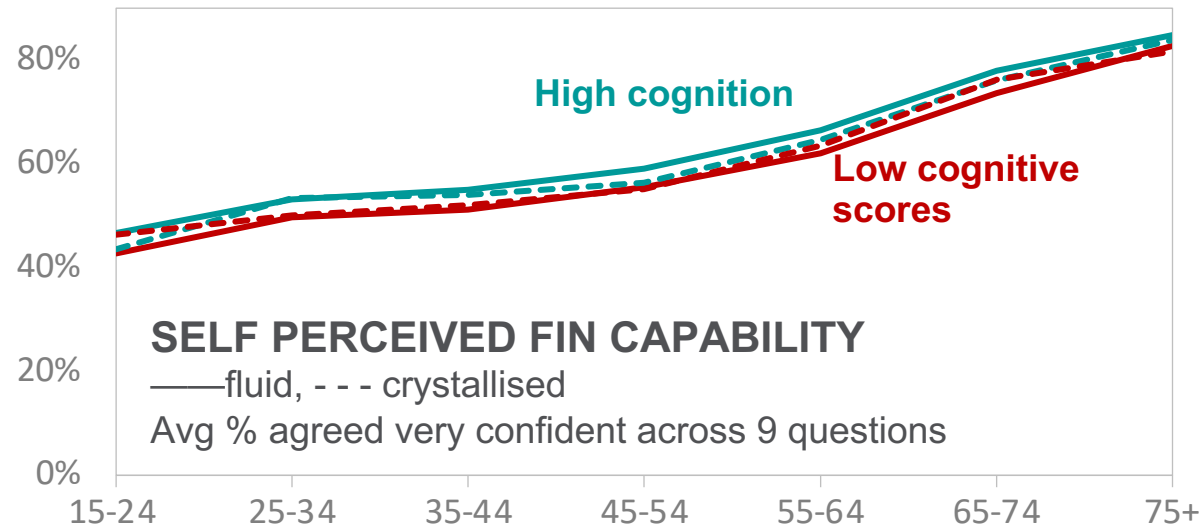
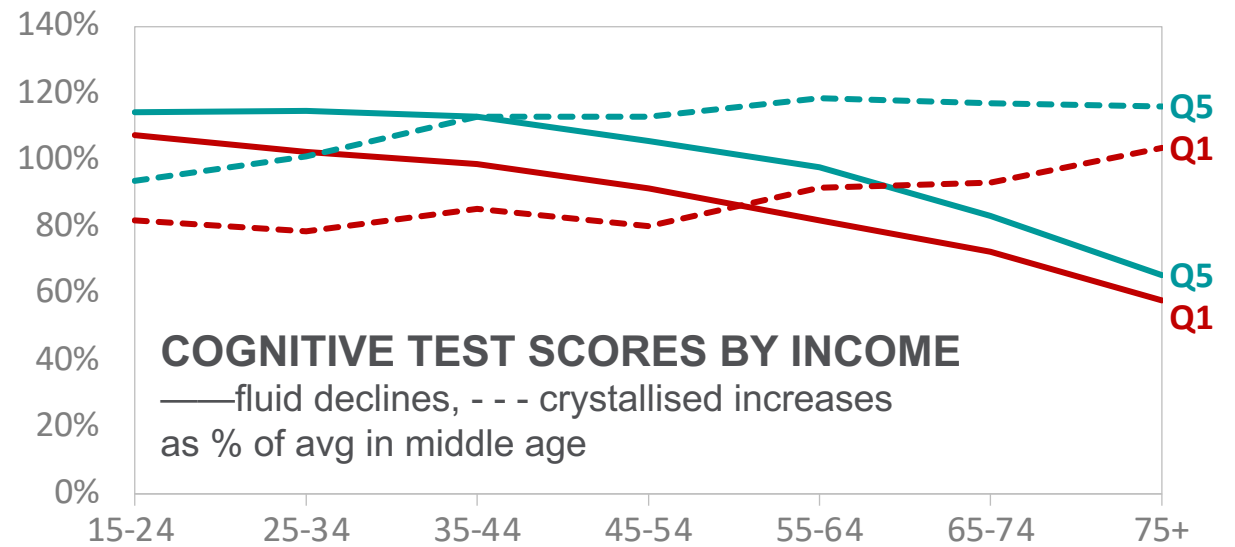
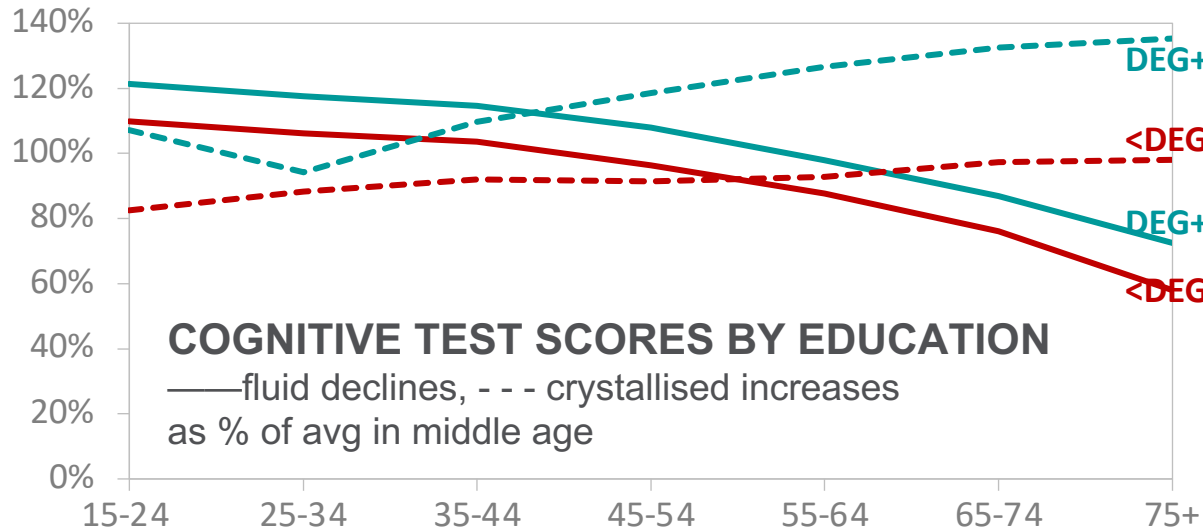
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2.1 Cognitive ability changes over the lifecycle



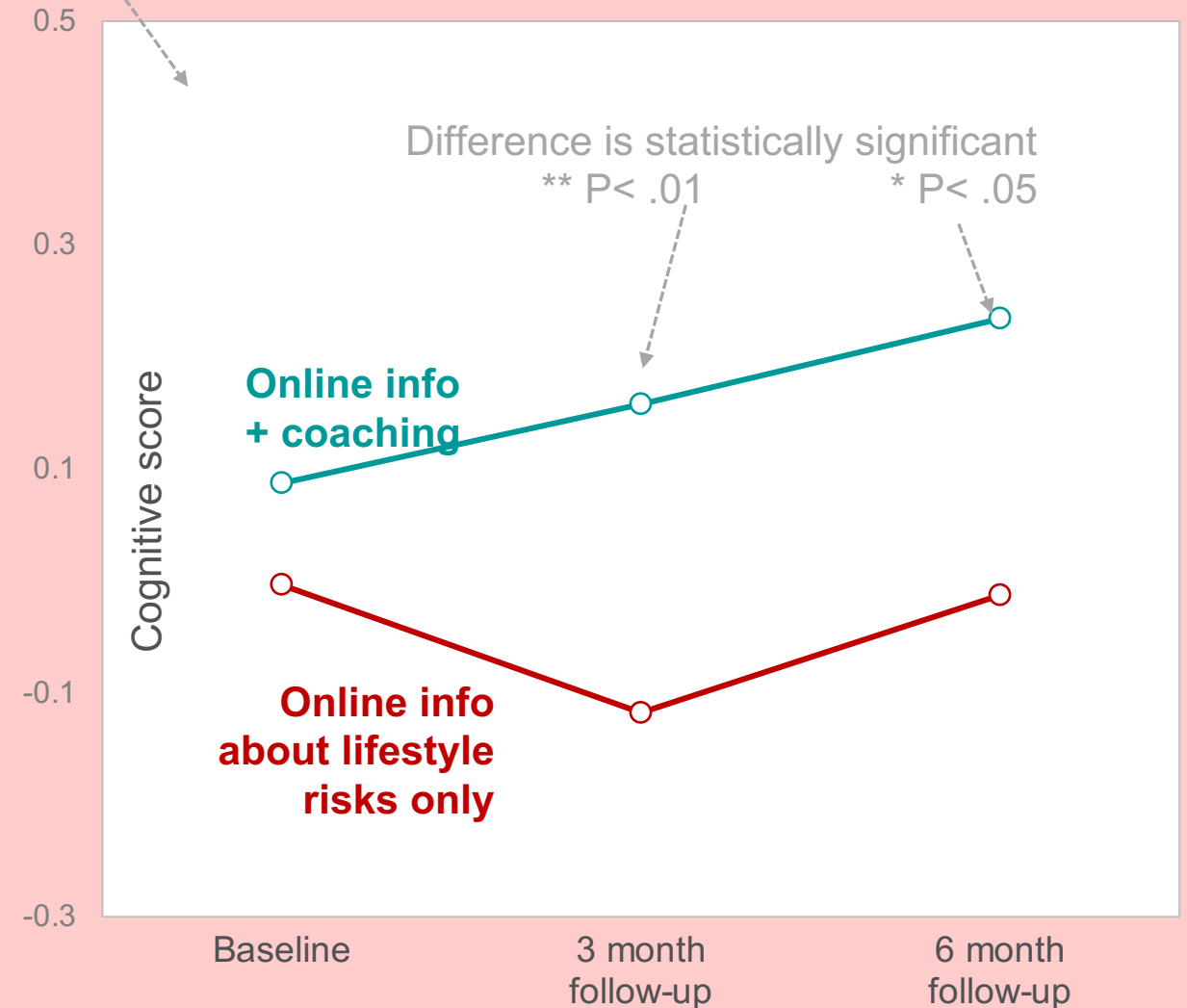
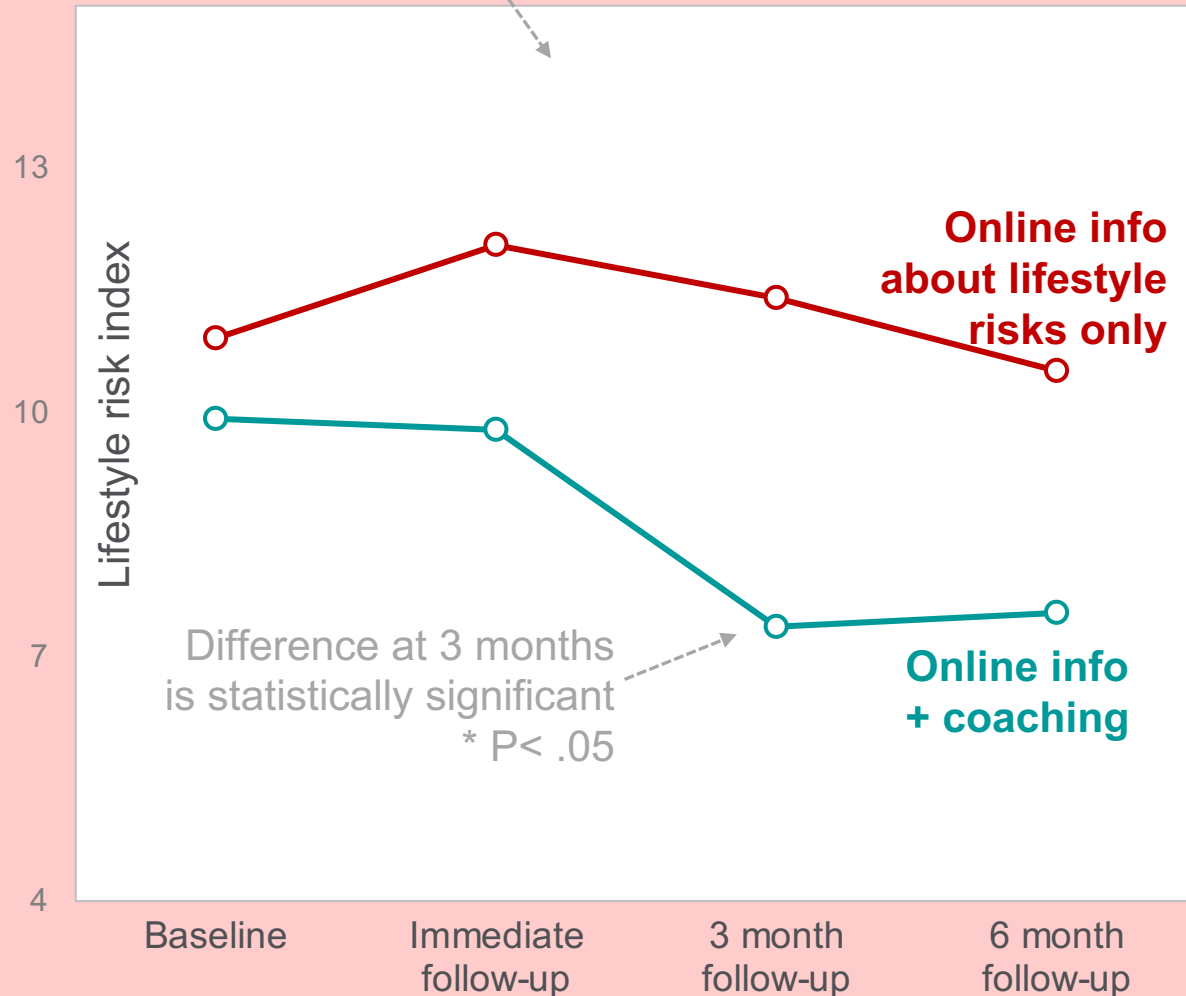
2.2 Some strategies can mitigate cognitive health risks

1. **Plan**: Simplify finances, lock in financial products earlier, incorporate finances in advanced care planning
2. **Delegate**: Dynamic, supported decision making from family, advisers (safety mechanisms to prevent financial fraud, exploitation)
3. **Risk factors**: lifestyle, diet, exercise, and cognitive engagement

2.3 Coaching can help reduce cognitive health risks

CEPAR
HIGHLIGHT
Kaarin Anstey
et al. 2020

Coaching helps people to integrate behaviours into their life, reducing cognitive risks, increasing cognitive scores



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3.1 Impulsive decision making can go awry due to bias

Biased preferences

- Time inconsistency
- Reference dependence
- Social preferences

Biased beliefs

- Overconfidence
- Probabilistic mistakes

Biased processes

- Limited attention
- Emotions

CEPAR HIGHLIGHT

Bateman, Dobrescu

Newell, Thorp et al. 2022

Reference dependence / anchoring

Testing ways to reduce underspending in retirement. Participants asked to decide spending pattern in retirement

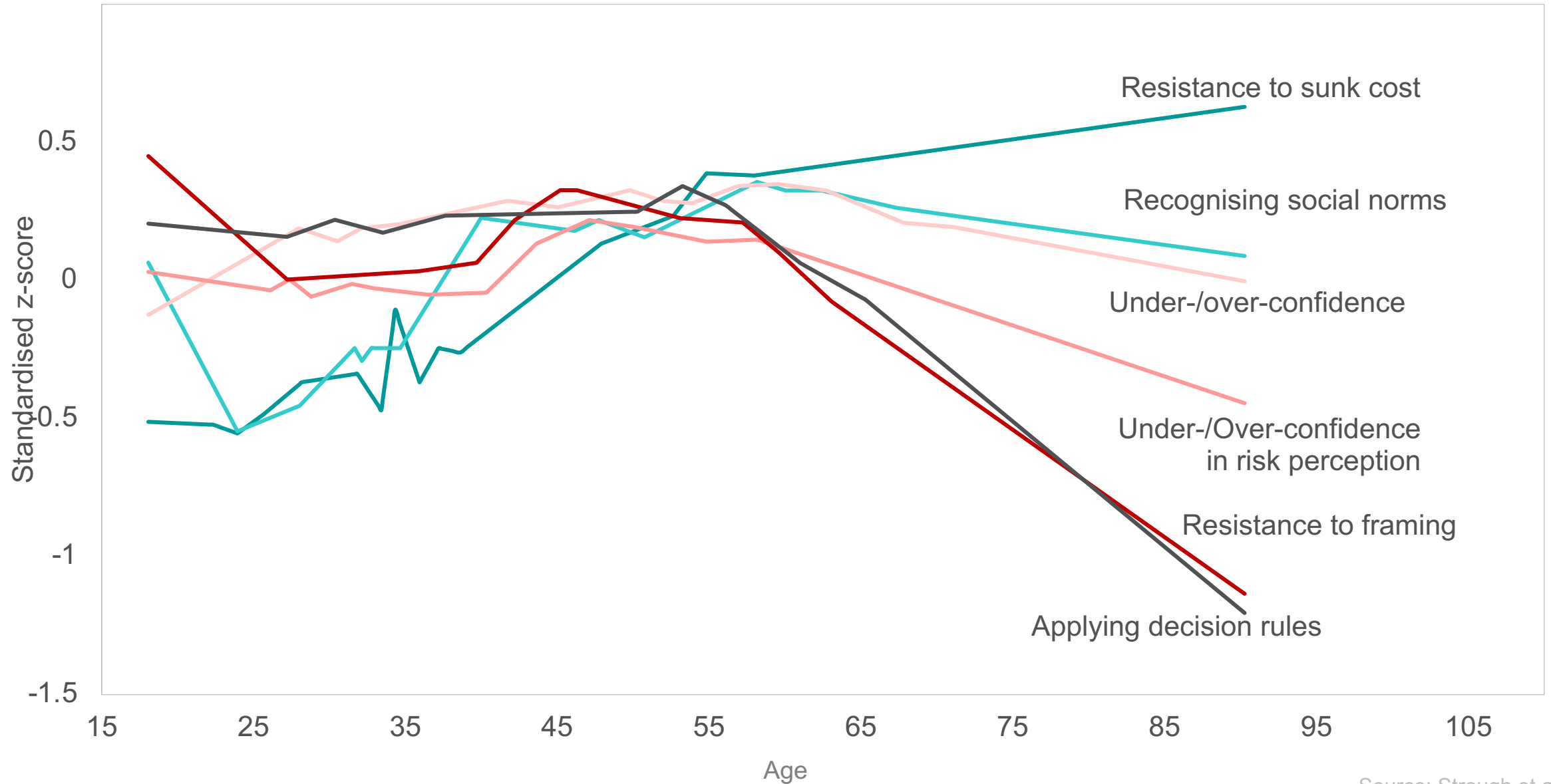
- (1) Proj how much left at age 92
- (2) Proj how much inc p.a. until 92
- (3) Both, (4) None

More spending

Then told *adequate* or *comfortable* income level.

More spending

3.2 Susceptibility to biases changes with age



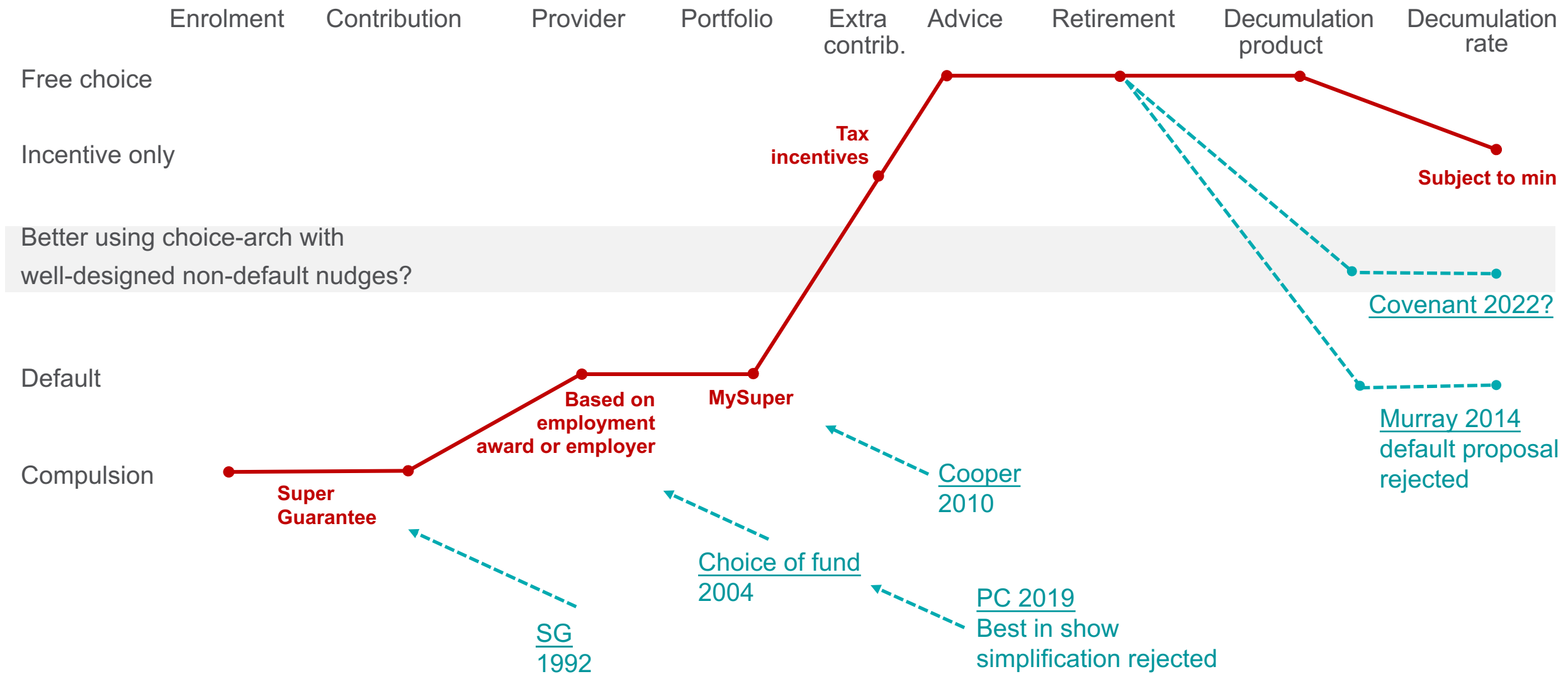
3.3 Choice architecture can mitigate against poor decisions

Simplify and nudge decision process by:

1. Reducing the choice set (e.g., fewer, higher quality products)
2. Simplifying supportive info (e.g., product disclosures still have issues)
3. Adding nudging information (e.g., anchoring, implicit endorsement)
4. Timing of decisions and reminders (e.g., debt repayment)
5. Coaching the decision
6. In absence of decision, providing good defaults

But people are unpredictable.
The solution: '*design-by-testing*'!

3.4 Existing super architecture requires more choice with age



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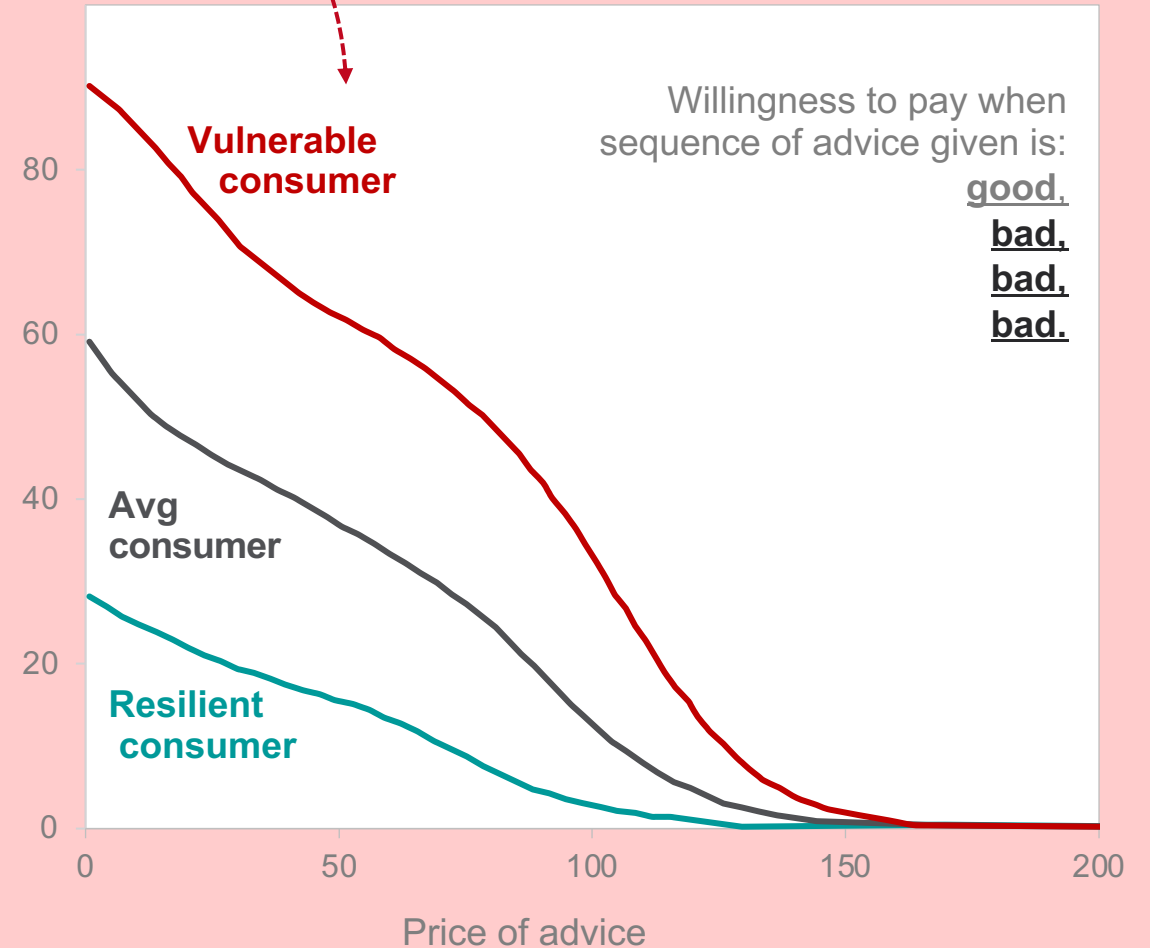
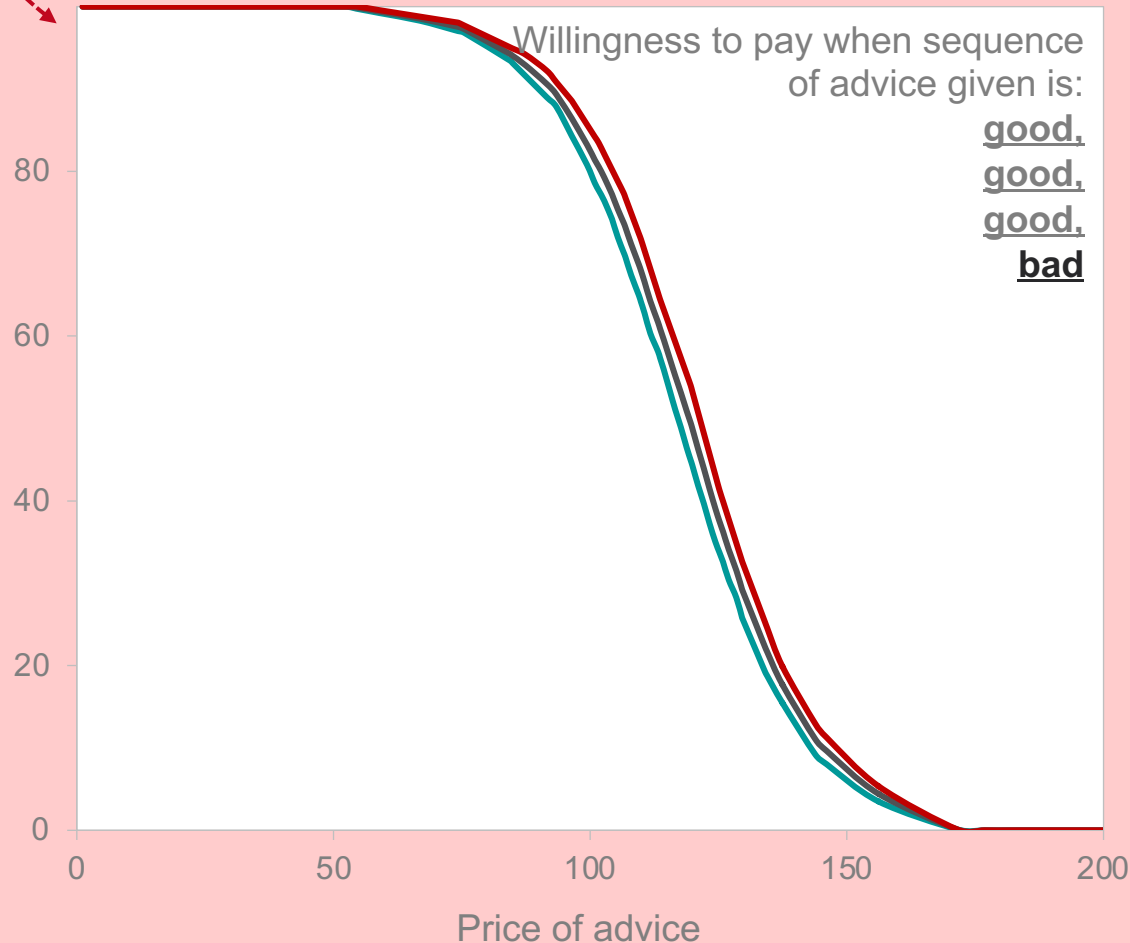
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4.1 Vulnerable people pay the price of bad advice

CEPAR
HIGHLIGHT
Agnew, Bateman,
Iskhakov, Thorp
et al. forthcoming

- Many forgive bad advice after a series of good pieces of advice.
- Vulnerable consumers (high impulsiveness, low recall, low fin. literacy) are most likely to continue paying for bad financial advice



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1. Early exposure
2. Experiential, personalised
3. Just-in-time

PROCESSING ABILITY

2. COGNITIVE HEALTH BOOSTING

1. Risk factors
2. Plan
3. Delegate

IMPULSIVE

BIASES AND RULES OF THUMB

3. CHOICE ARCHITECTURE NUDGING

1. Fewer options
2. Simplify info
3. Use anchor, endorse
4. Time it appropriately
5. Coaching
6. Good defaults

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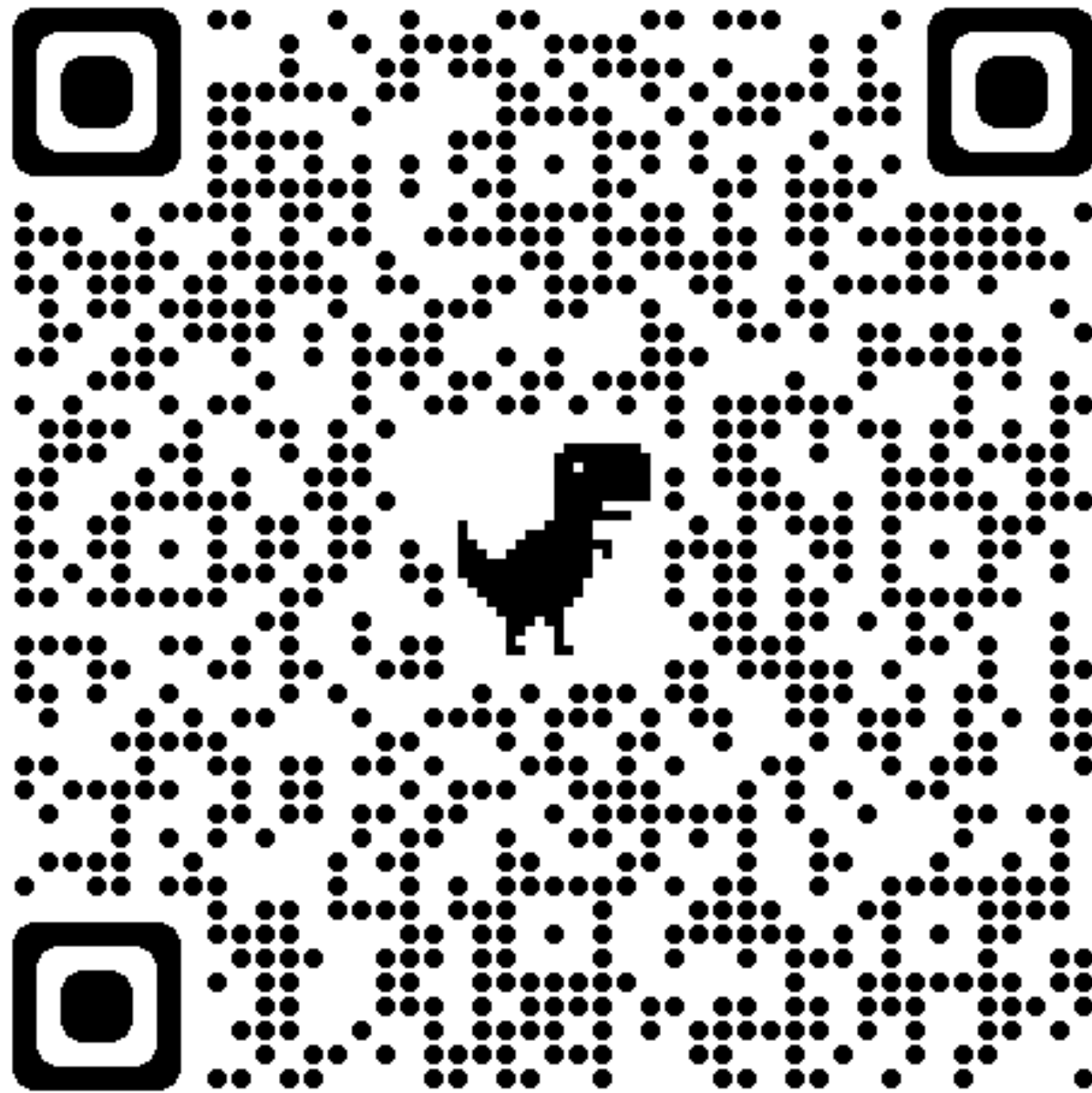
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1. Exploitation monitoring
2. Fin. adv. competence
3. Fin adv. conflict of interest
4. Fin info alternatives
5. FinTech
6. Simplify system

Thank you



Appendix – changes to fin lit over time

Fin Lit - % answered all 5q correctly

