



Network for Studies on Pensions, Aging and Retirement

Choice Guidance in retirement planning: A field experiment

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September 6, 2023

Professor Financial Services

Background: Services Research,
Marketing, Economics

Director Netspar

Network for Studies on
Pension, Aging, and Retirement



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Ministers, unions and employers finally agree on new pension system

Politics Society f t in s June 13, 2020



Features

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DutchNews podcast – The Grapperhaus Goes Viral Edition – Week 36



House prices up, transfer tax down? A round-up of the latest housing news



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NEWS

Parliament agrees to Dutch pensions reform but questions remain

BY TJIBBE HOEKSTRA | 15 JULY 2020



Despite heavy opposition resistance against “breaking down the world’s best pensions system”, the Dutch parliament agreed yesterday to the switch to a new defined contribution (DC) contract which includes a lifecycle system and personal pension pots. However, many questions on implementation remain.

Article

Netherlands: Sweeping pension reforms – further details released

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By Wichert Hoekert and Willem Eikelboom | June 30, 2020

The changes to Netherland’s supplemental employer-provided pension system would make it more sustainable, with more predictable costs for employers.

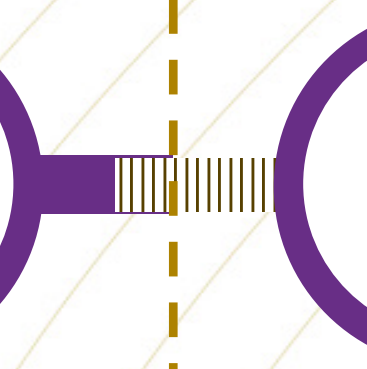
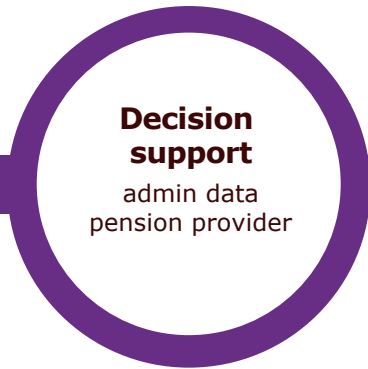
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Guide to choice guidance

Empower participants to make appropriate retirement choices

Authority of Financial Markets





Insights of trade-offs
Understanding how choices affect personal situation

Insights on trade-offs
Pointing out situations where certain choices are better/less good [for whom/when]

"Based on you situation, I would recommend....
...retiring part-time

"Based on you situation, I would recommend
...pay off your mortgage
...save more

"Based on your situation, I would recommend
....Buy Product ABC"

Possible choices in Dutch context

1. Retire early
2. Retire part-time
3. Work longer
4. Exchange partner pension
5. High/low or low/high (more/less pension at beginning of retirement)
6. *Lump-sum (10%, at retirement, not in combination with other choices)*

Investment risk

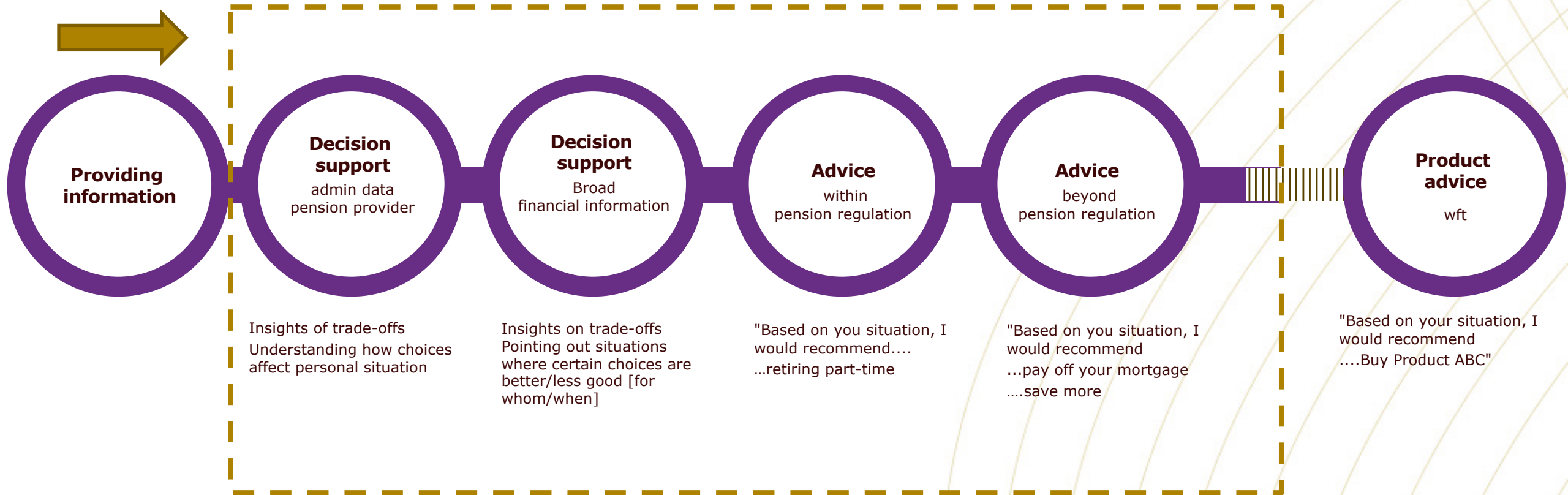
“For many people, being asked to solve their own retirement savings problems is like being asked to build their own cars.”

Richard Thaler

2017 Nobel Memorial Prize in Economic Sciences



- Participant needs
- Ambition
- Costs
- Organizational aspects
- Civil law considerations
- Ethical and privacy considerations
- Capacity



Do online decision support tools suffice to support pension plan participants in the choices they have to make?



Söderberg
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Montae
& Partners



*July – September
2022*



*Oktober – December
2022*

Opportunities and risks

Top 3 opportunities:

1. remain attractive as a fund to employer(s) and employee(s) (organizations)
2. protecting participants from making the wrong choices
3. fulfilling vision / strategy

Top 3 risks:

1. cost increase
2. liability risk
3. reputation risk

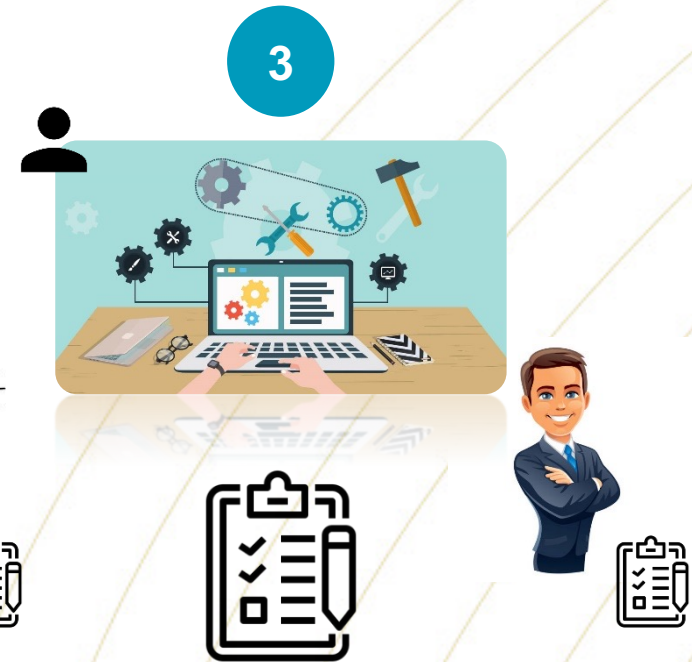
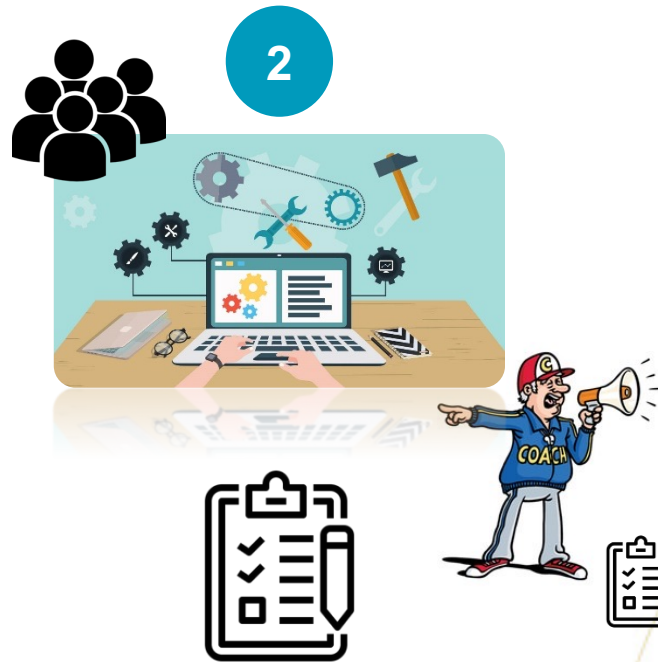
New open standard of decision support (WTP)

81% are in favor of an open standard

~50% think that to adequately guide choices the pension provider should ask about the entire financial situation, but almost 40% (completely) disagree

- Major difference on what constitutes adequate decision support
- Company pension funds: 2/3 disagree
- Industry-wide pension funds: >50% agrees

Phase 2: Experiment



Data | number of participants

Online tool | [complete] N = 120

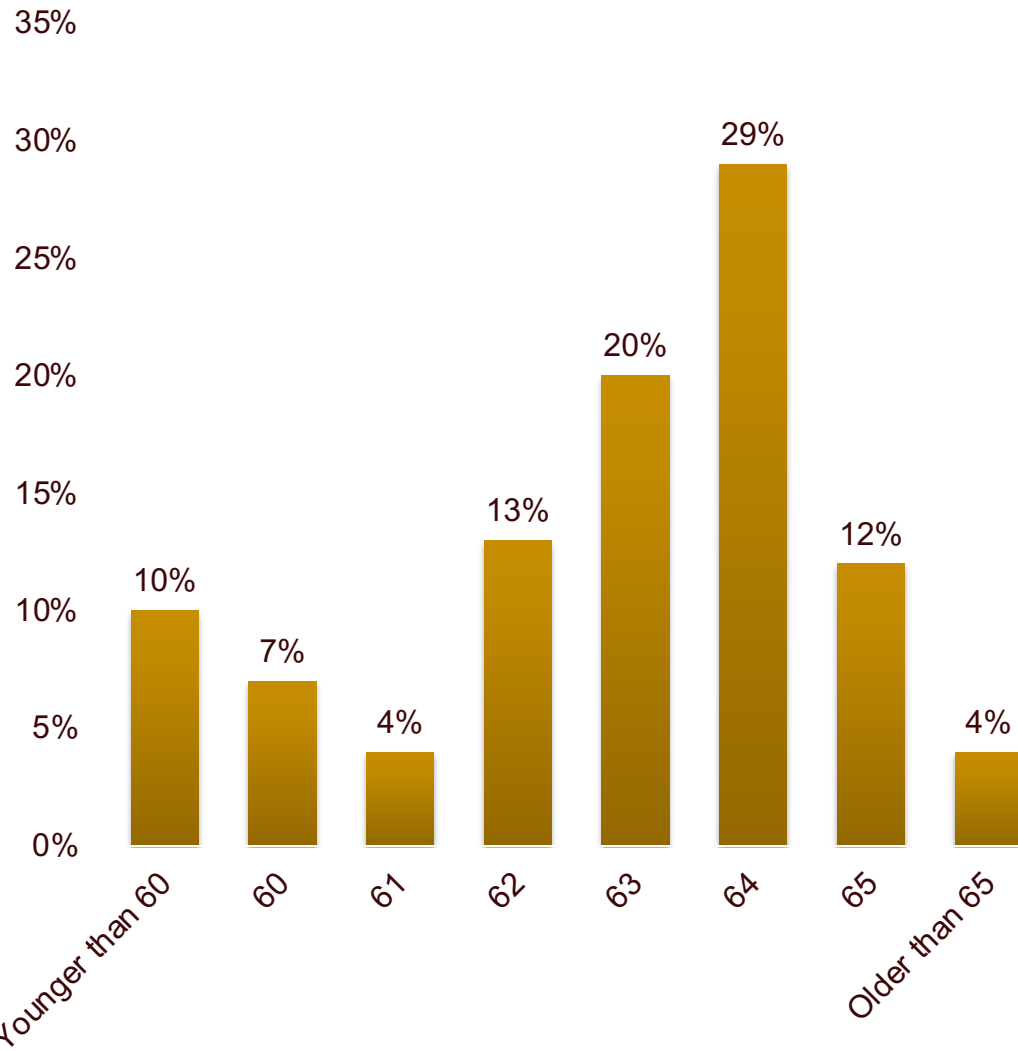
Questionnaire | N = 105

Link with tool data cannot be made for everyone

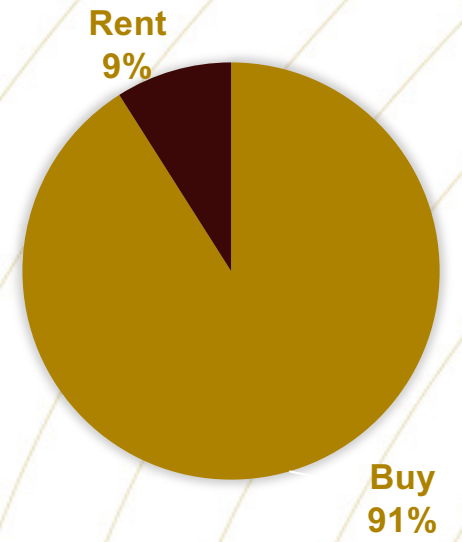
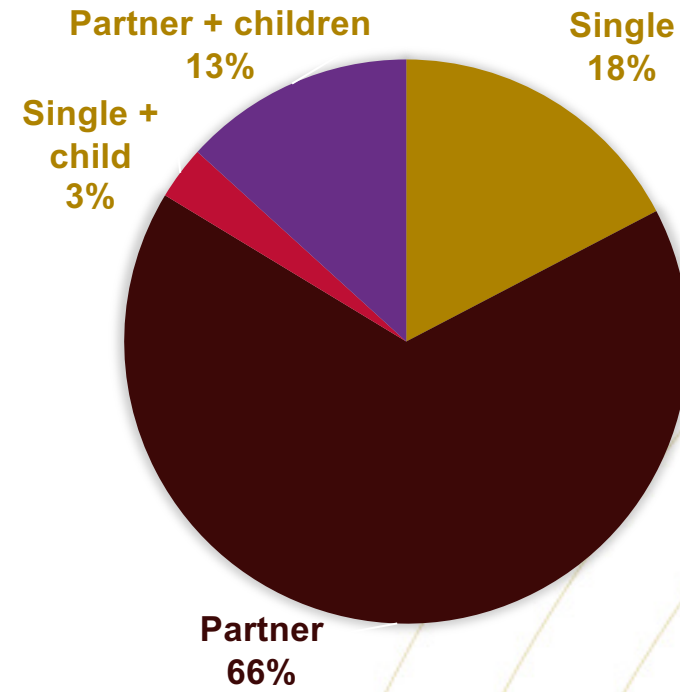
Used dataset | N = 98

Condition	N	%
1. Independent	37	38
2. Group session	26	27
3. 1-on-1 session	35	36

Data | Background characteristics



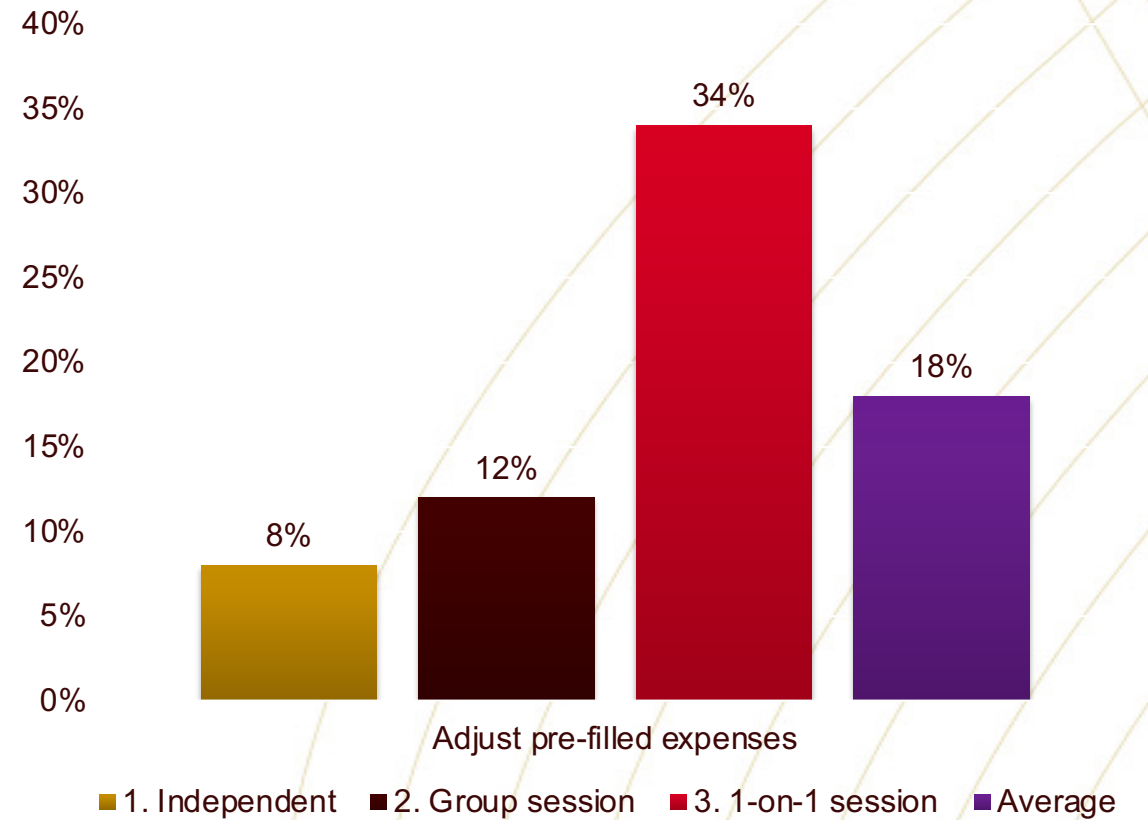
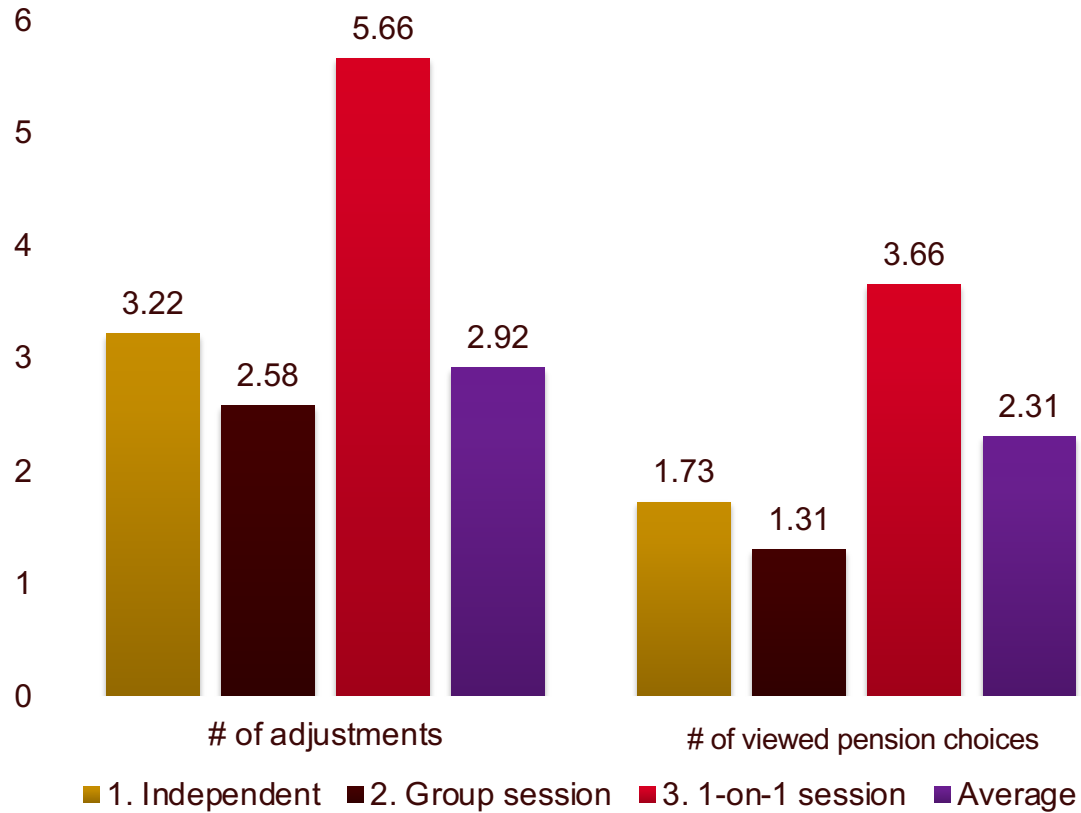
| Age



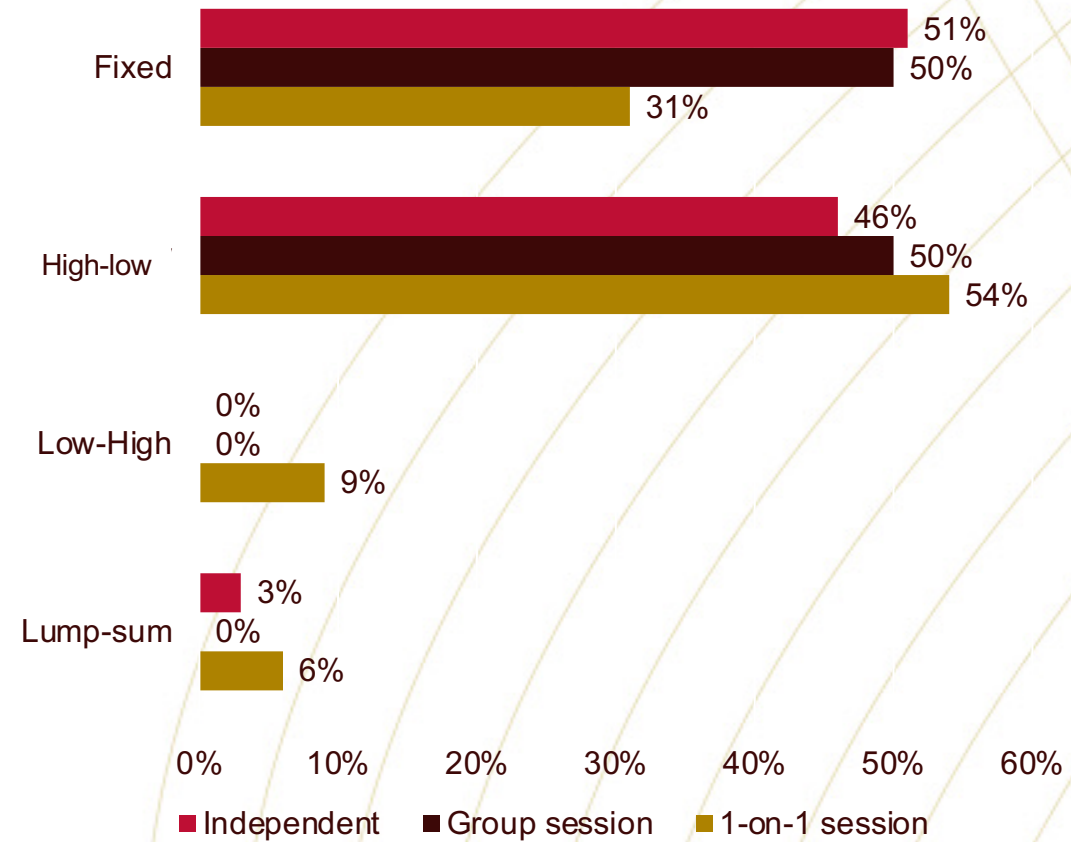
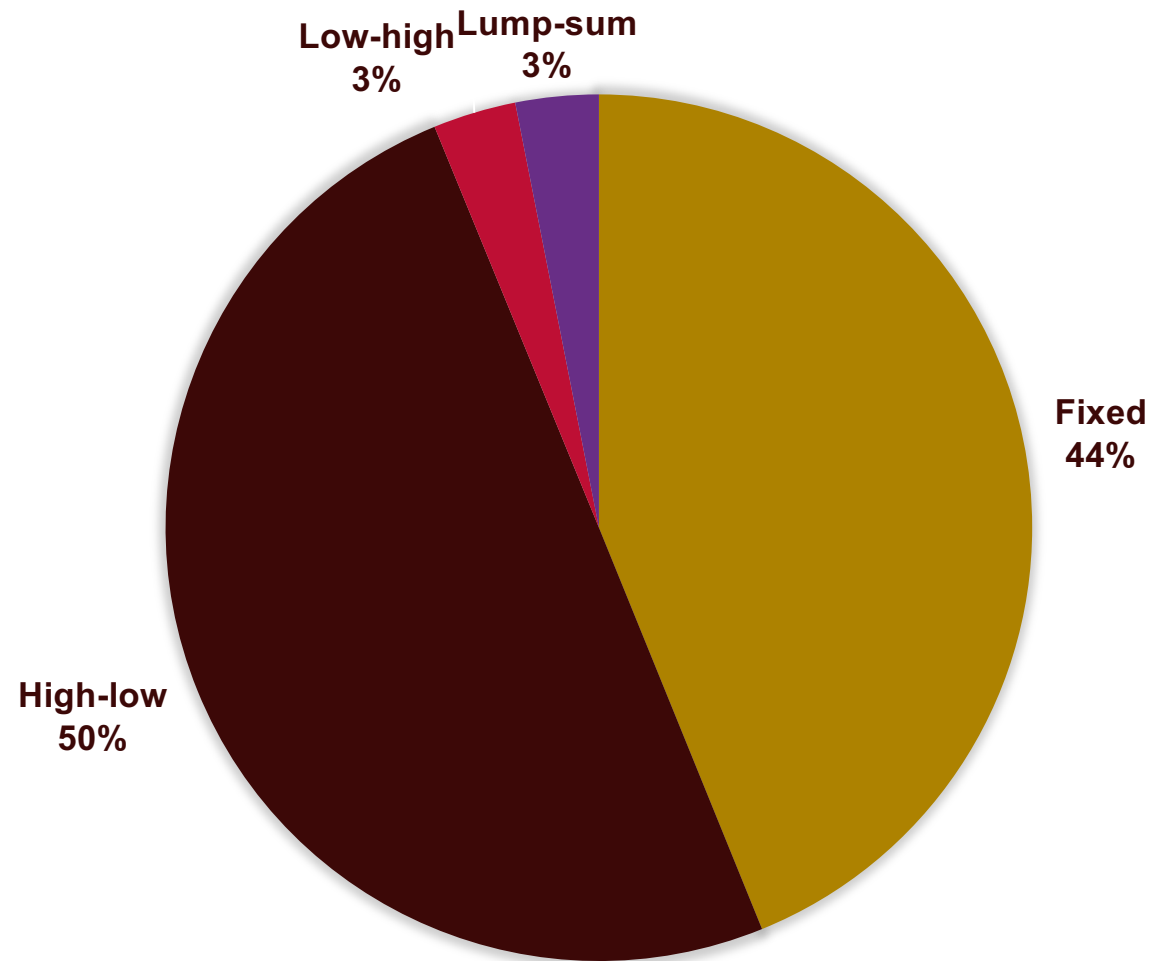
Data | Financial situation

	Average	Standard deviation
Income	€ 69.574	31.679
Expenses	€ 33.237	9.293
Consumable income	€ 43.919	18.052
Pension (2 nd pillar)	€ 38.291	19.866
Financial stress	1,83	0,61

Results | Usage of tool



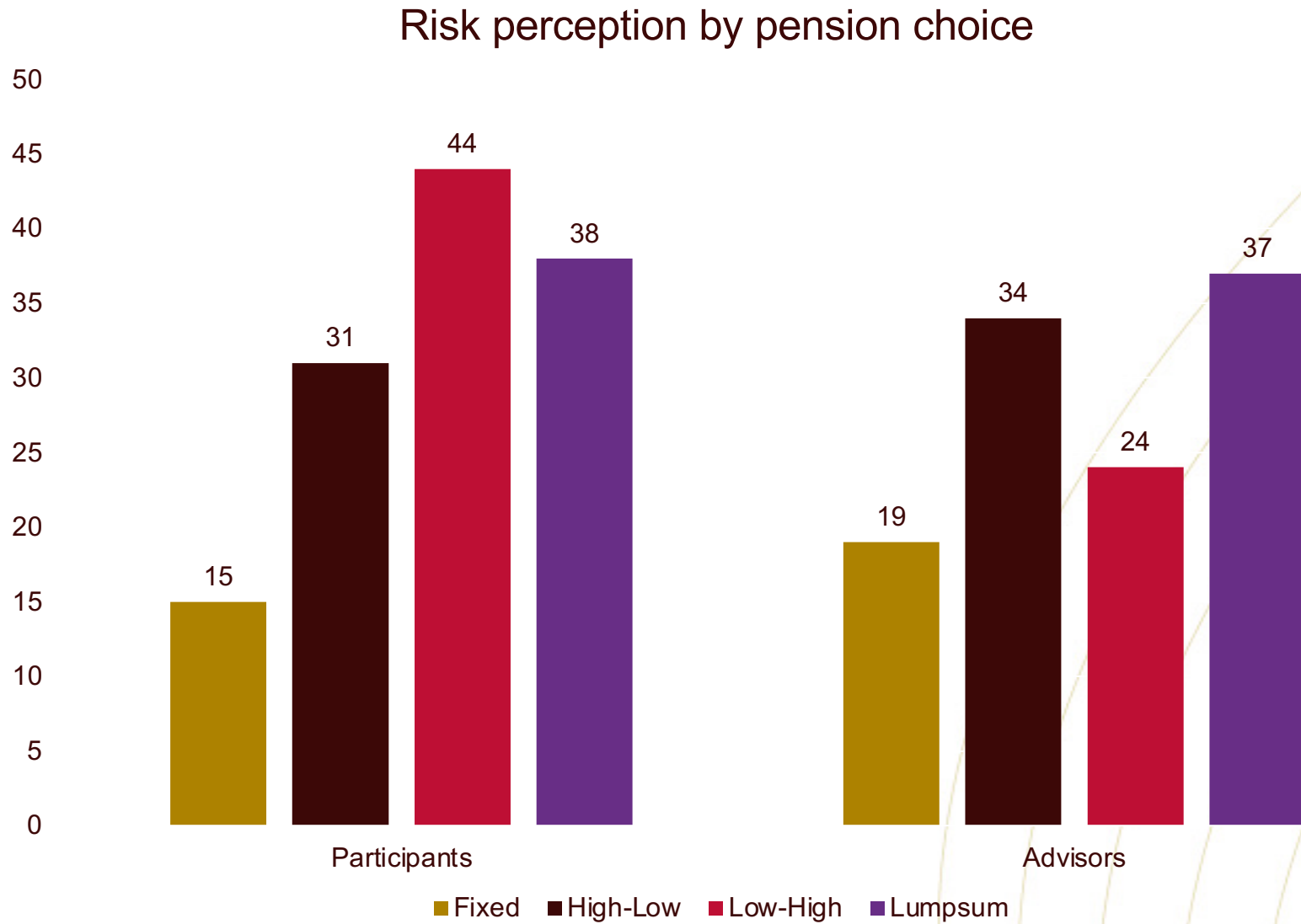
Results | Pension choice



Results | Pension choice

How risky do you think
the choices are?

Results | Pension choice

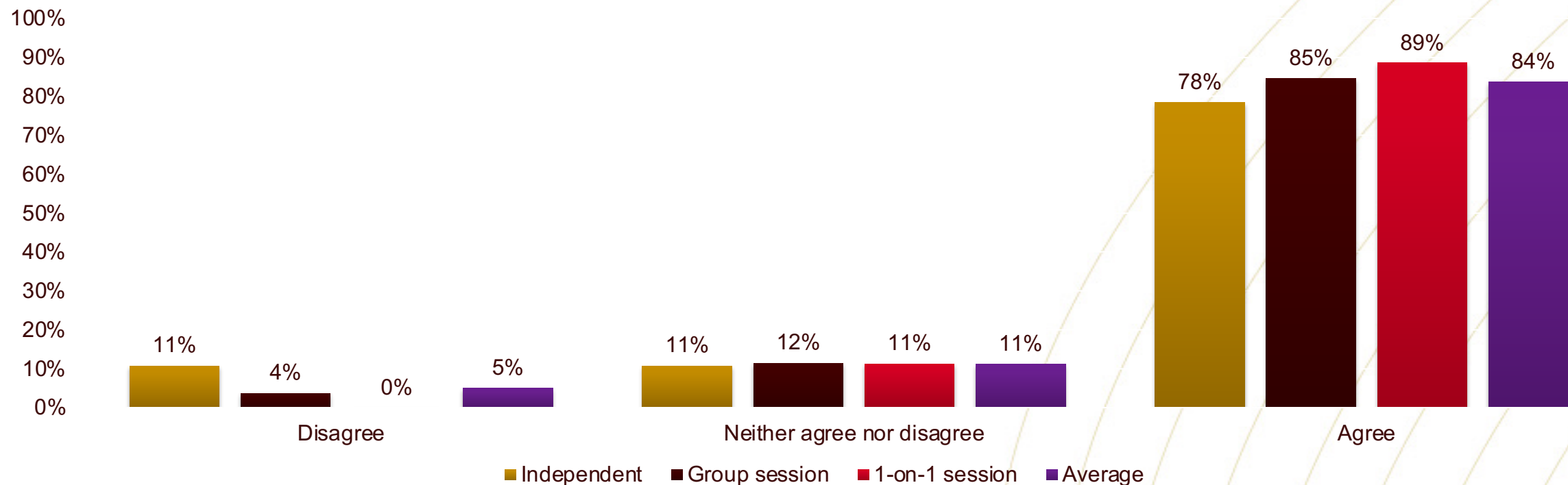


Results | Confidence in pension choice

	(Totally) disagree	Neutral	(Totally) agree
I am comfortable with the choice I have made	4%	18%	78%
I feel good about my choice	1%	19%	80%
I experience negative emotions about the choice I made	84%	12%	4%
Whether it's the best choice or not, I feel okay about the choice I made	1%	19%	80%
Even though I don't know if this choice was the best one, I am completely comfortable with the choice I made	5%	25%	70%
I'm sure my choice was the best I could have made	17%	41%	42%

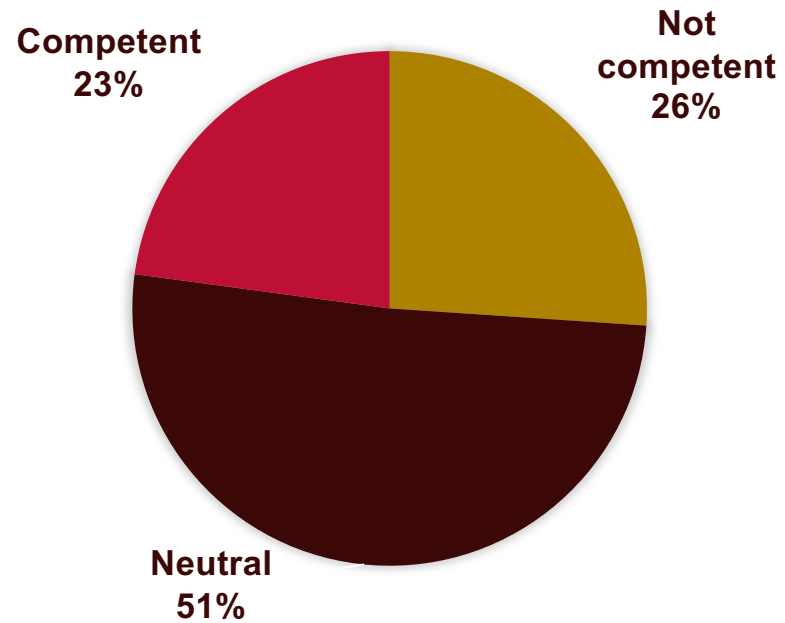
Results | Understanding

I understand the impact of the choice I have made on my future financial situation

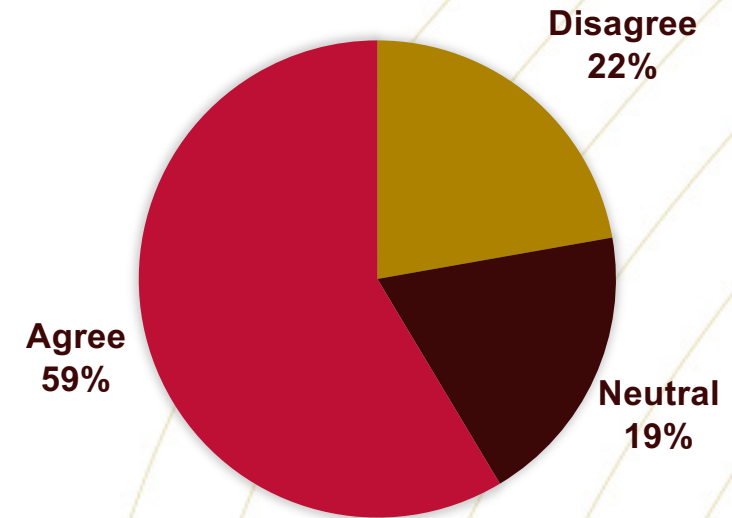


Results | Expertise

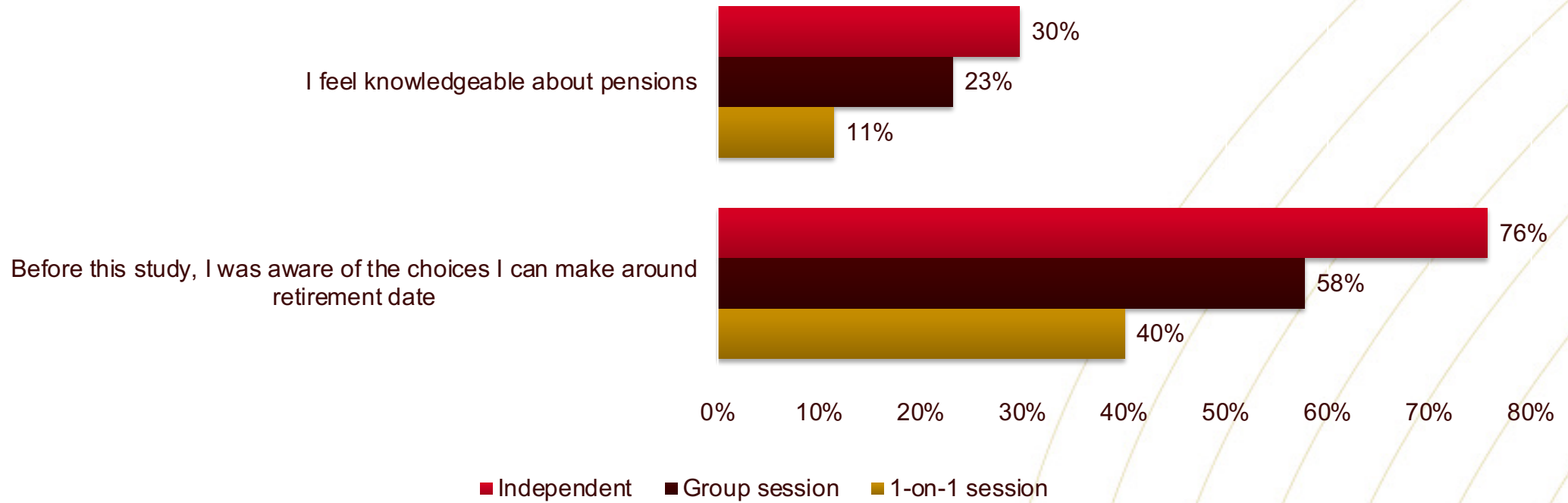
HOW COMPETENT DO YOU FEEL ABOUT PENSIONS?



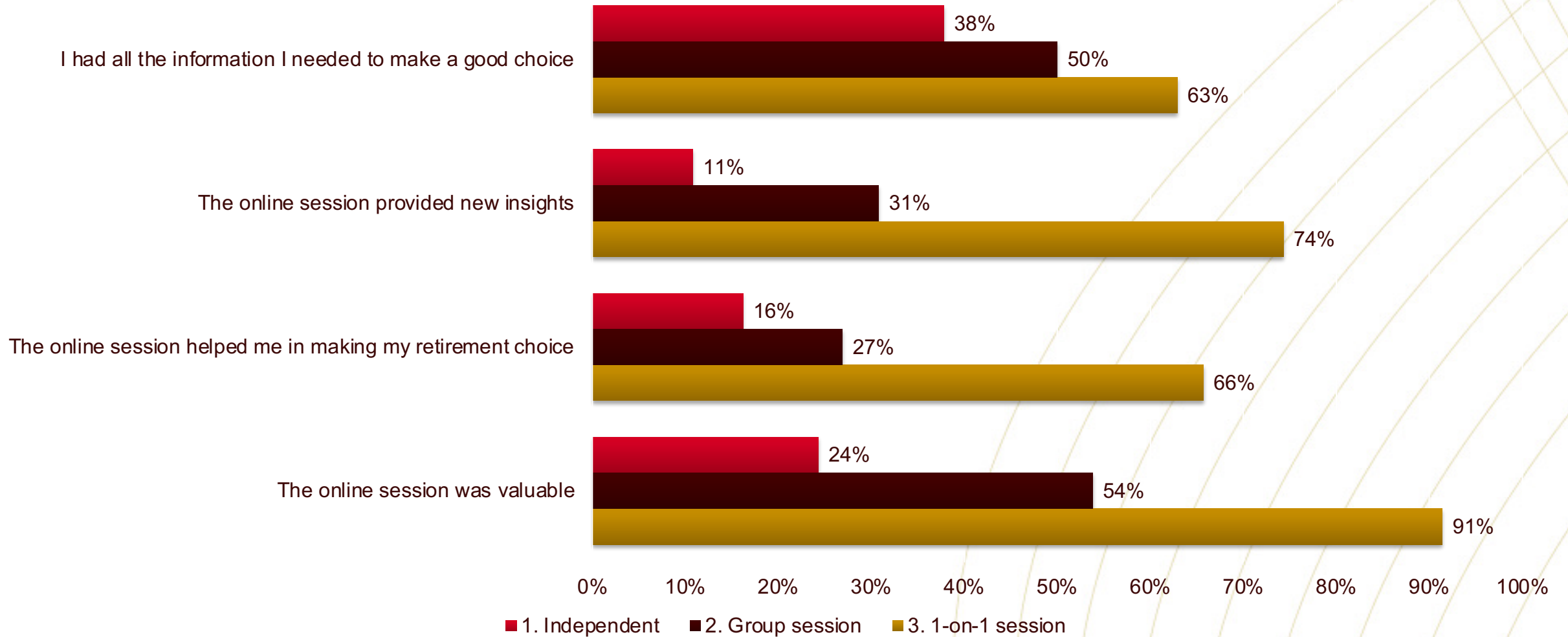
BEFORE THIS RESEARCH, I WAS AWARE OF THE CHOICES I CAN MAKE AROUND RETIREMENT DATE



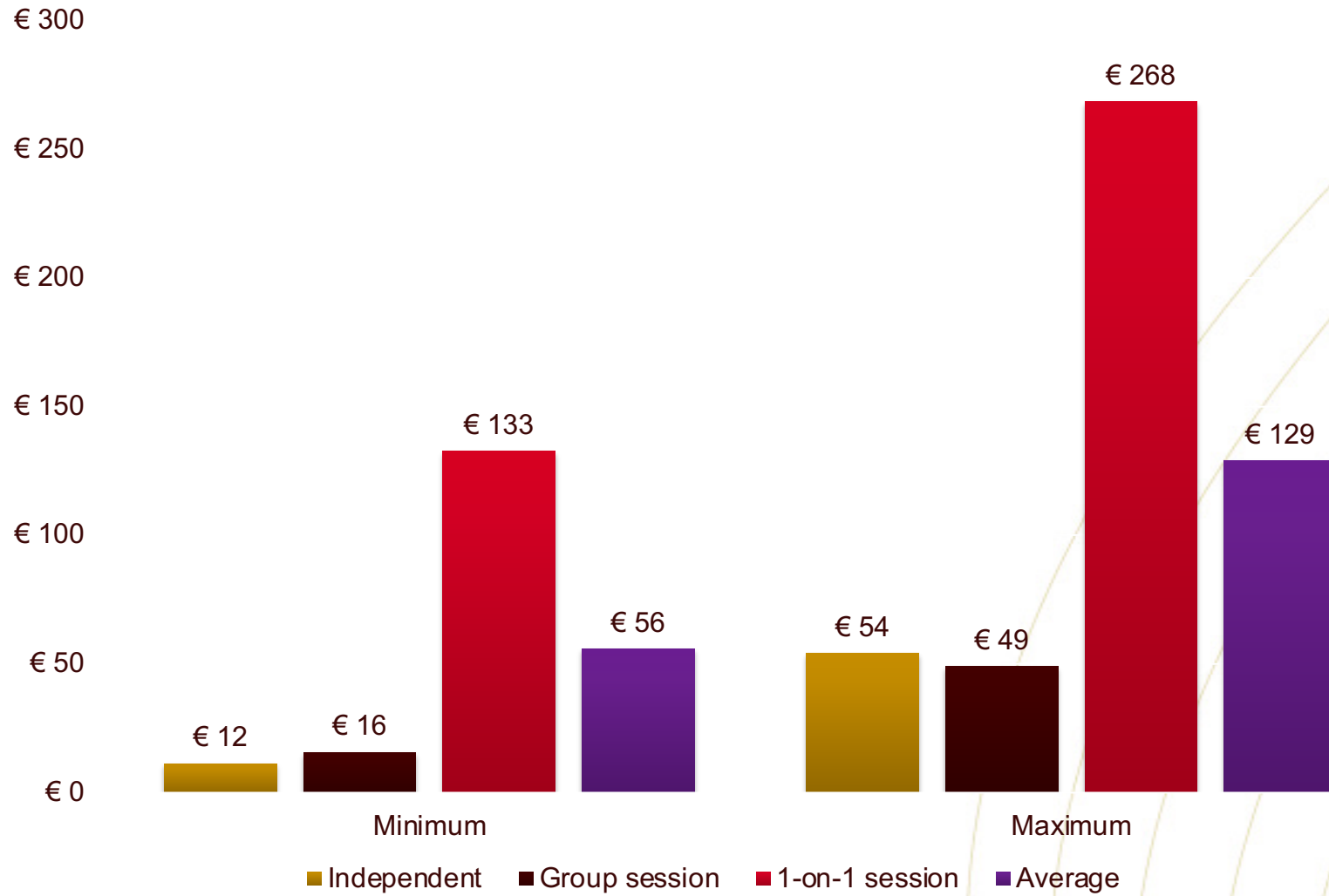
Results | Expertise



Results | Value online session

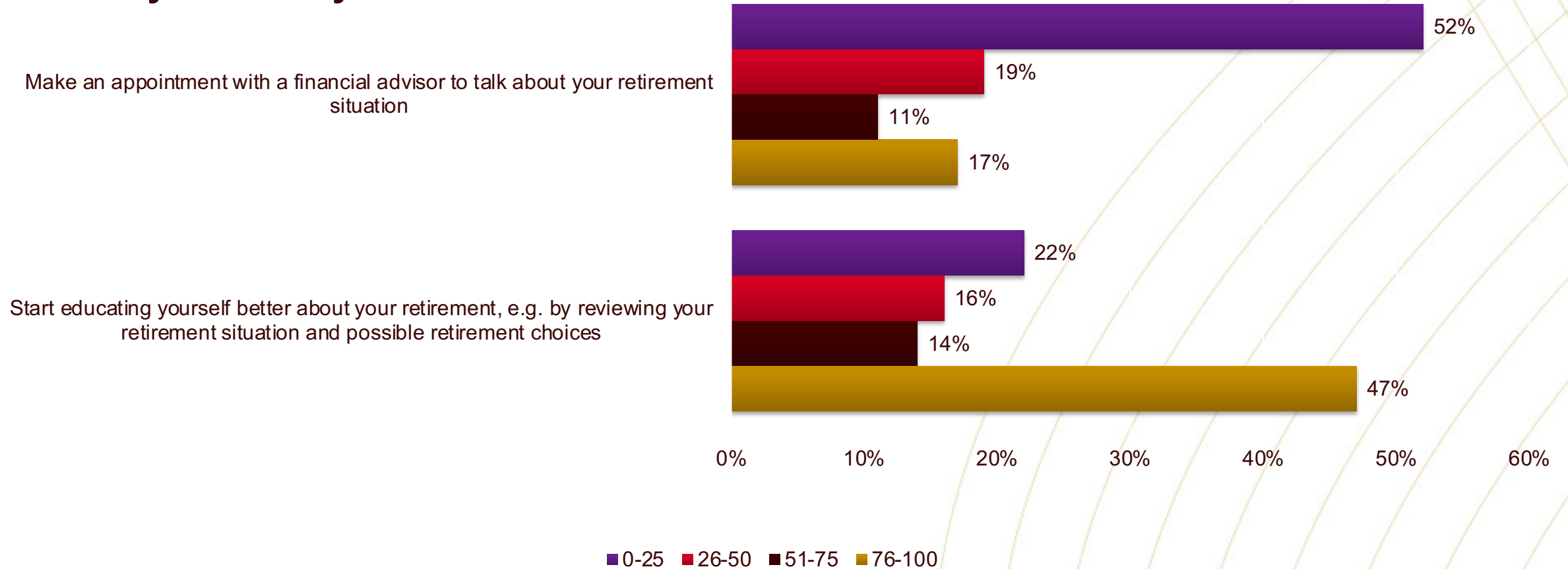


Results | Willingness to pay



Results | Intention to explore further

How likely is it that you in the near future:



Conclusion

Is only an online tool enough for good decision support?

No (significant) difference in pension choice and confidence

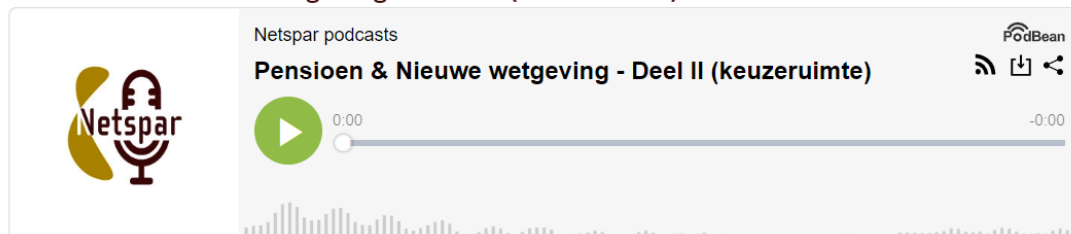
But more decision support provides:

- different interaction with the tool
- more understanding
- a more valuable experience
- less expertise

→ **What is good decision support?**

More Netspar knowledge

Pensioen & Nieuwe wetgeving – Deel II (keuzeruimte)



2 - Communications & Choice

Pensioen & Nieuwe wetgeving

Netspar Newsflash, Website, LinkedIn

Partner worden | Nieuws | Podcasts | Onderzoek | Onderwijs | Over Netspar | Pers | Contact | NL | EN

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2017

Keuze architectuur in de pensioensector

Design paper 88

Elisabeth Brügggen Kimberley van der Heijden Thomas Post

> Project: Keuzearchitectuur

Een van de meest besproken onderwerpen in de Nederlandse pensioenindustrie is of deelnemers meer keuzevrijheid zouden moeten krijgen met betrekking tot hun pensioen. Meer keuze biedt deelnemers meer controle over hun pensioenplanning en stelt hen in staat hun pensioenplanning aan hun persoonlijke voorkeuren aan te kunnen passen.

INDUSTRY

PAPER (PDF, 1.09MB)

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2021

Het begeleiden van pensioenkeuzes: drie lessen uit het medische vakgebied om tot betere pensioenbeslissingen te komen

Netspar Design paper 167

Bregje Holleman Hans Hoeken Jelle Strikwerda

> Project: Effectiviteit van keuzehulpmiddelen in pensioencommunicatie en de rol van geletertheid "Onderzoek naar de manier waarop patiënten medische beslissingen nemen, kan helpen om pensioenkeuzes te vereenvoudigen en verbeteren"

INDUSTRY

ONE PAGER (PDF, 0.33MB)

PAPER (PDF, 1.2MB)

13 March 2023

ICPM and Maastricht University Launch Program on Trust-Building Through Effective Communications

Pension leaders are increasingly aware of the importance of pension communications to strengthen engagement, build loyalty and properly steer a fund over the long-term, including through times of crisis. Where pension communications have traditionally been seen as an operational obligation, ensuring effective and appropriate communications with members has been identified as an important strategic topic.

In response to this need, ICPM and UMIO|Maastricht University, the executive education department of the School of Business and Economics, have developed an immersive education retreat where board members and senior-level communication specialists will

October 4-6, 2023
Maastricht, The Netherlands
LAST CHANCE TO REGISTER

<https://www.icpmnetwork.com/education/#pensioncomms>





Network for Studies on Pensions, Aging and Retirement

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Netspar, Network for Studies on Pensions, Aging and Retirement, is a thinktank and knowledge network. Netspar is dedicated to promoting a wider understanding of the economic and social implications of pensions, aging and retirement in the Netherlands and Europe.