APPLYING BEHAVIOURAL ECONOMICS TO PENSIONS

BEHAVIOURAL INFLUENCER	IMPACT	ACTION
Messenger	- People like receiving information from experts - People are influenced by the expert's background and whether they can relate to them - People discount the messenger if they don't like them	- Think about the experts you are using – ensure that their credentials are known and understood. - Does the expert come from a similar background (for example do they have the same regional accent)? - Is the expert popular, likeable?
Incentives	- Our responses to incentives are shaped by predictable mental shortcuts such as strongly avoiding losses - We dislike losses more than we like gains of the same amount - People place more weight on small probabilities like winning the lottery - We mentally allocate money into bundles and find it difficult to move them from one to another - Living for today, at the expense of tomorrow	- Can we do more to communicate the loss of 'free money' from your employer pension? - How can you help people allocate something to a pension budget?
Norms	- We tend to do what others around us are doing - If the norm is desirable – tell them about it - Consider social networks - Reinforce the 'norm' regularly - Be careful with undesirable norms – if people see that more people are not doing something they might want to join them	- Can you tell people some good norms? - How can you help them relate to the norm (by age, salary level, personal circumstance)? For example 50% of people your age have updated their nomination form in the last five years
Defaults	- People go with the flow of pre-set options - People are lazy	Show them what they are missing out on and how they don't need to be a pensions expert to improve their prospects

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BEHAVIOURAL INFLUENCER	IMPACT	ACTION
Salience	○ People are drawn to what is novel, new, simple and relevant ○ If it's simple we understand it and can relate to it ○ We create anchors, based on our experience, which we use as a reference point. Price for example is an anchor for purchasing something	○ Using a new 'look and feel' to a pension and making things simple will create new interest and engagement ○ Can you create and promote some 'anchor' points – for example some rule of thumb insights. For example, contributing at a level equal to half your age
Priming	○ Certain sights, words or sensations affect people's behaviour	○ Think about the language you use, is it negative or is it positive? Hopeful or despairing. ○ What type of imagery are we using in our communications?
Affect	○ Emotion shapes our actions ○ Our moods affect our decisions ○ We make decisions based on how it looks	○ How can we make pensions more fun? ○ How can we make sure our customer experience is a good one? ○ Do our communications look good? ○ Would creating a negative emotion change behaviour?
Commitment	○ We seek to be consistent with our public promises, and reciprocate acts ○ Free gifts create a need to return the favour	○ Can we help groups of people with similar interests commit to save more? ○ What can be built into the design of the pension to create a commitment
Ego	○ We act in ways that make us feel better about ourselves	○ How can we help people feel they are 'doing the right thing'?

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