

"WHAT DRIVES MEMBER CHOICE IN PREMIUM PENSION?"



• Dr. Lisa Brügger

Associate Professor Marketing
Maastricht University



• Monika Böhnke

Master student
Maastricht University

SURVEY RESULTS FROM 3001 SWEDISH RESPONDENTS

Special thanks to Ann-Christine Meyerhöffer for her tremendous support

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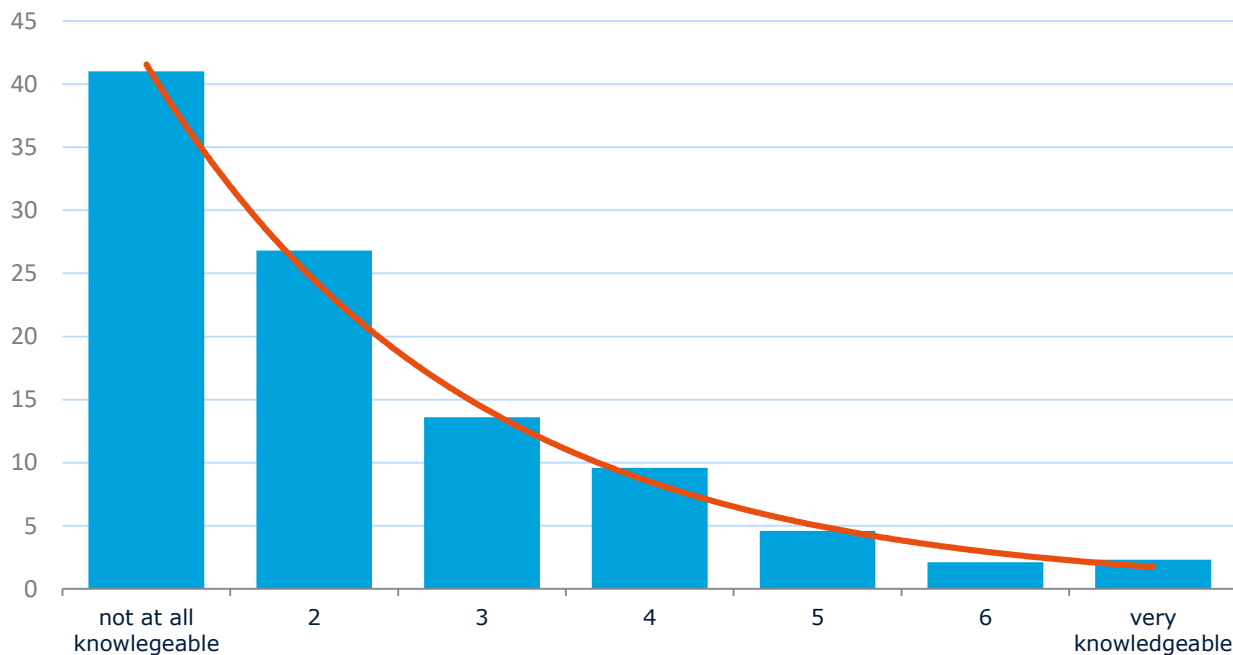
Perceived knowledge

Perceived knowledge

Age group 25-34 years



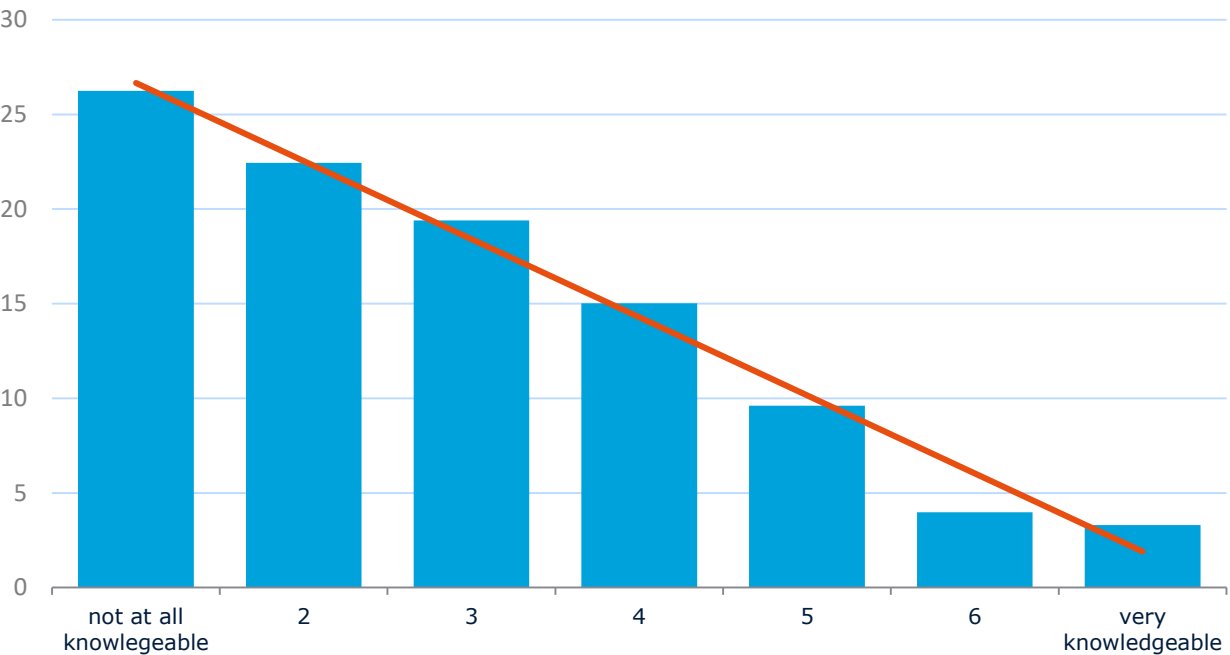
81% young Swedes feel unknowledgeable about the premium pension (categories 1-3)



Perceived knowledge

All age groups: 25-65 years

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

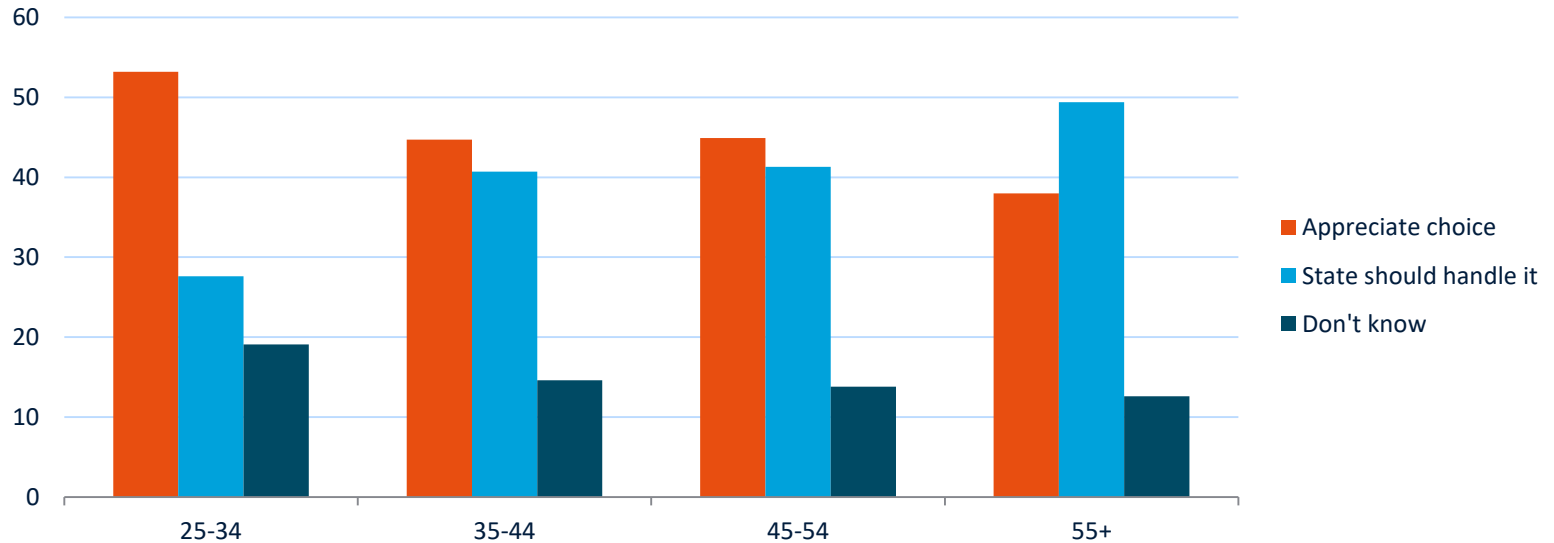


CHOICE

Appreciation vs. Actual Behaviour

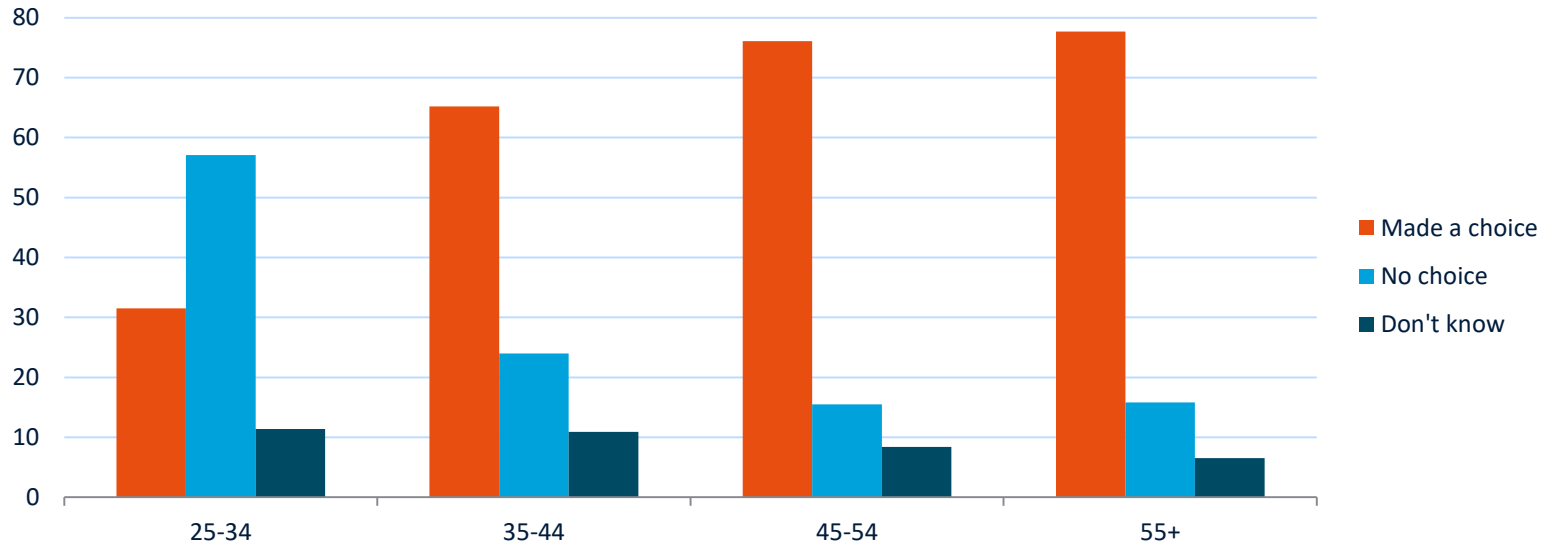
Choice Appreciation

Younger people appreciate choice significantly more than older people



Actual Choice Behaviour

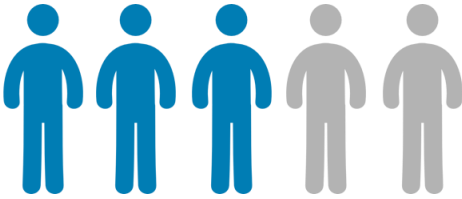
... but 57% of the young did not choose a fund





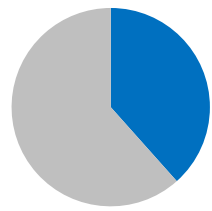
Fund Selection Behaviour

Fund selection



64% selected a fund

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

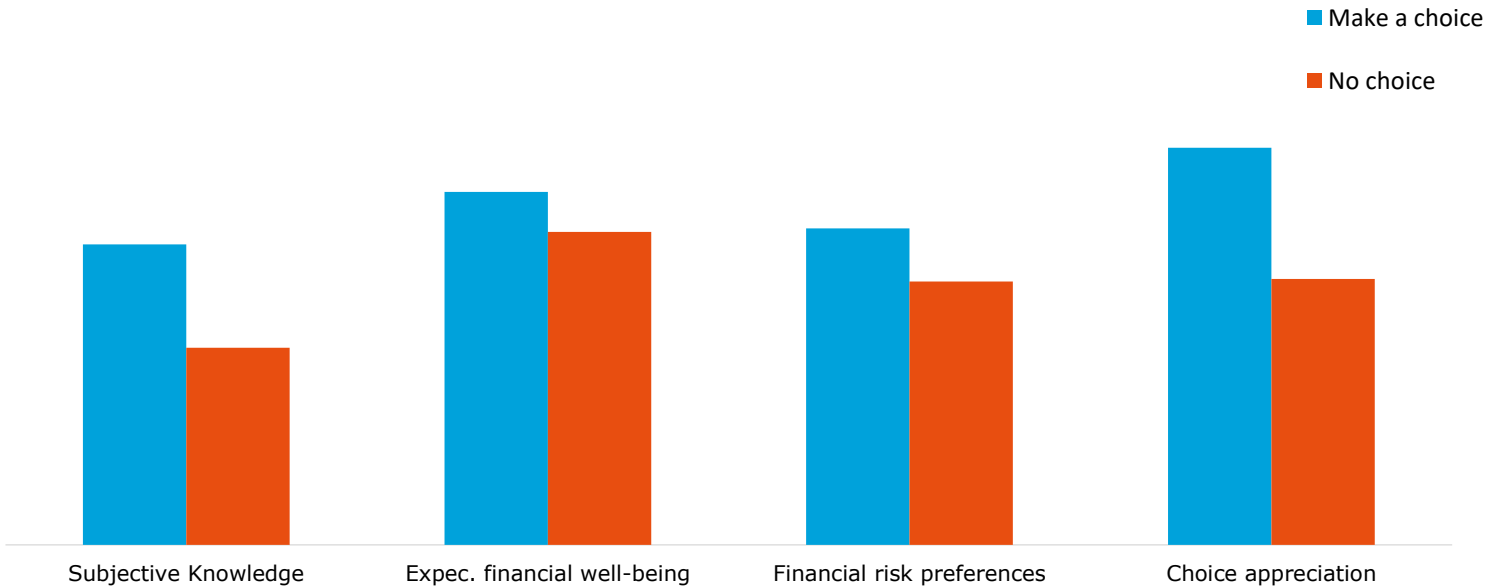


Those that could remember selected on average 3 funds



Respondents who chose a fund:

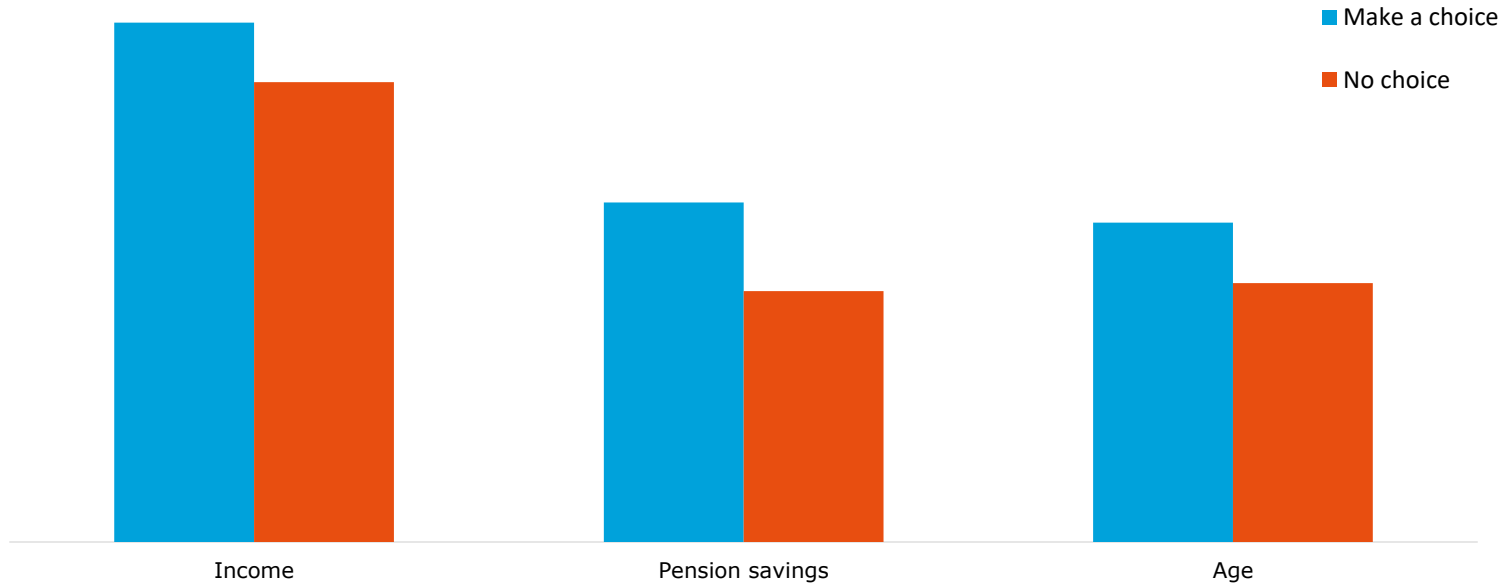
- have a higher perceived knowledge
 - are more optimistic about their future financial well-being
 - have higher risk preferences
 - appreciate choice more
- ...than people who did not chose a fund for their premium pension

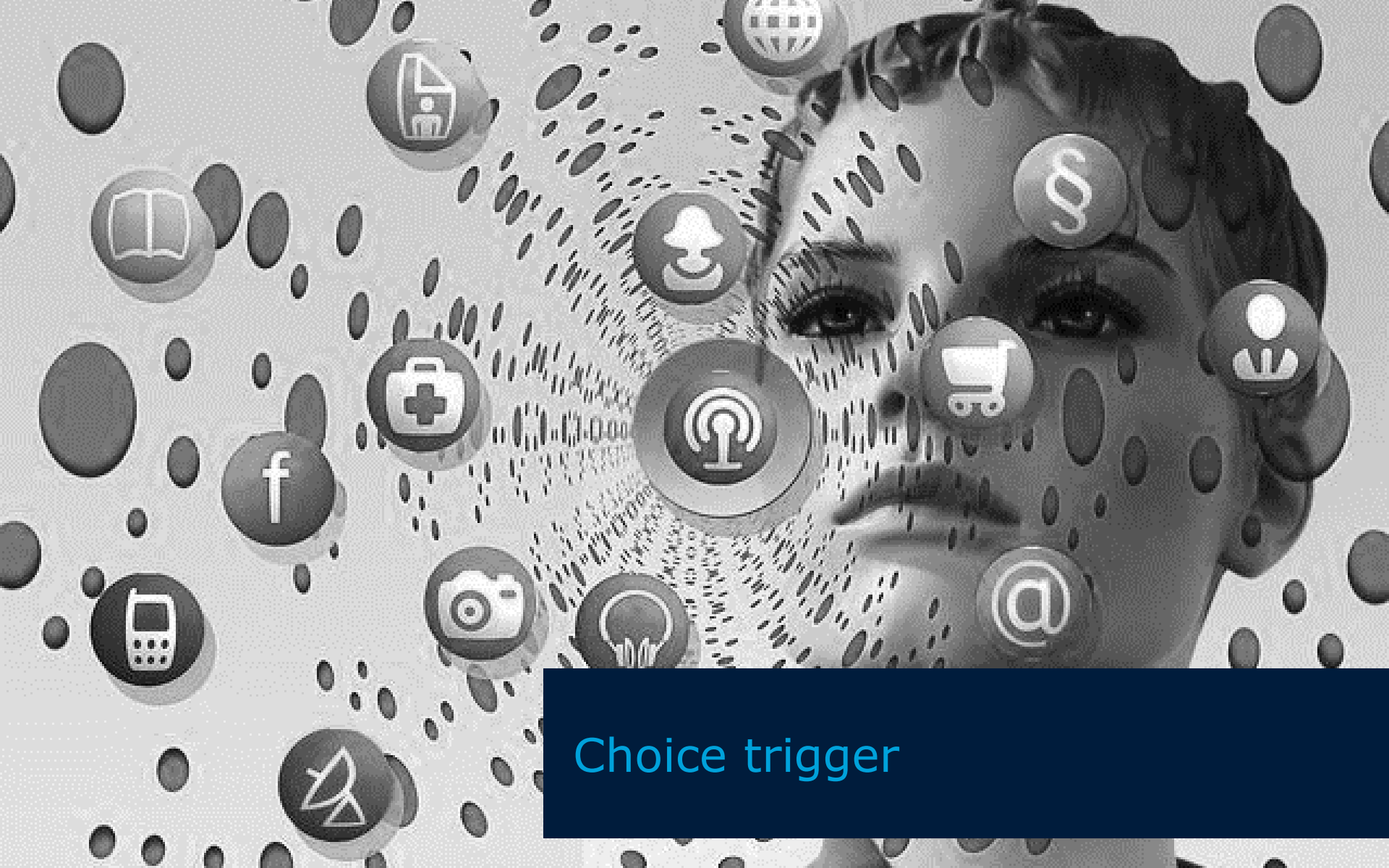


Respondents who chose a fund:

- 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

////////////////////////////////////

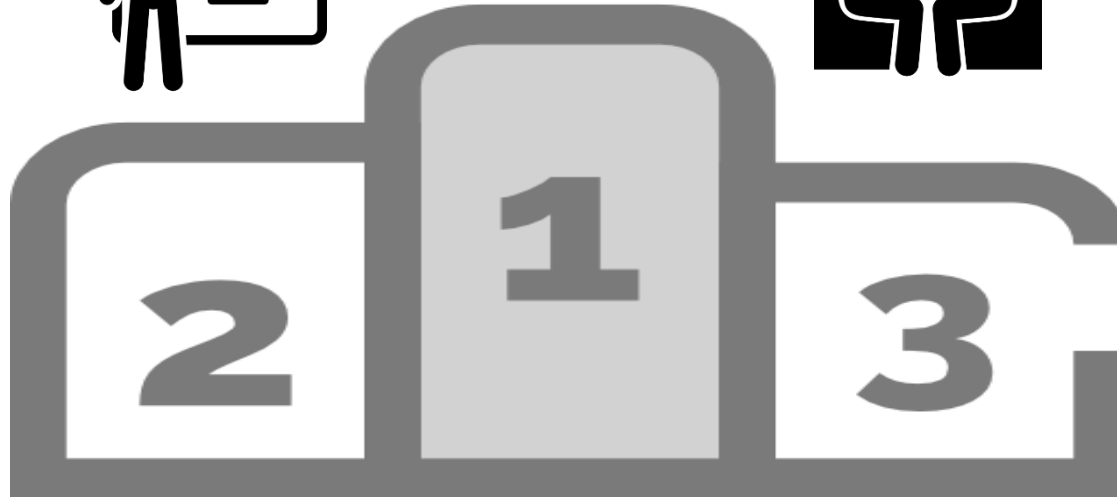
Orange envelope



Financial advisor



Family, friends +
colleagues



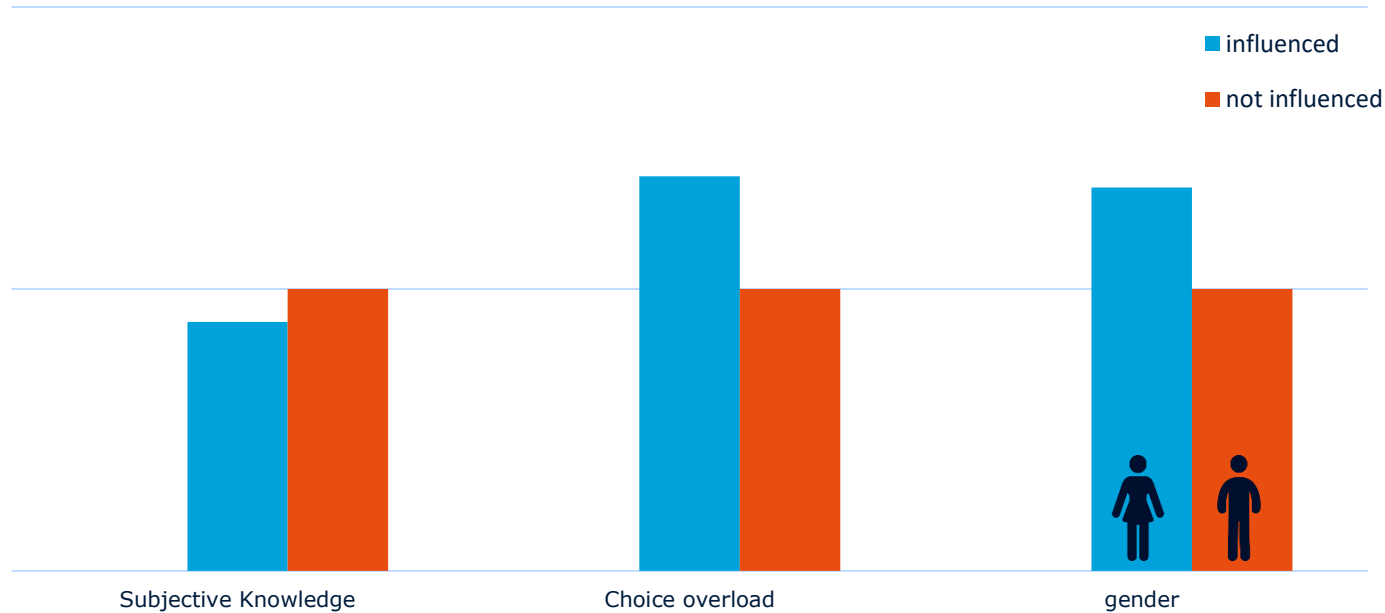


People who were actively
influenced

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

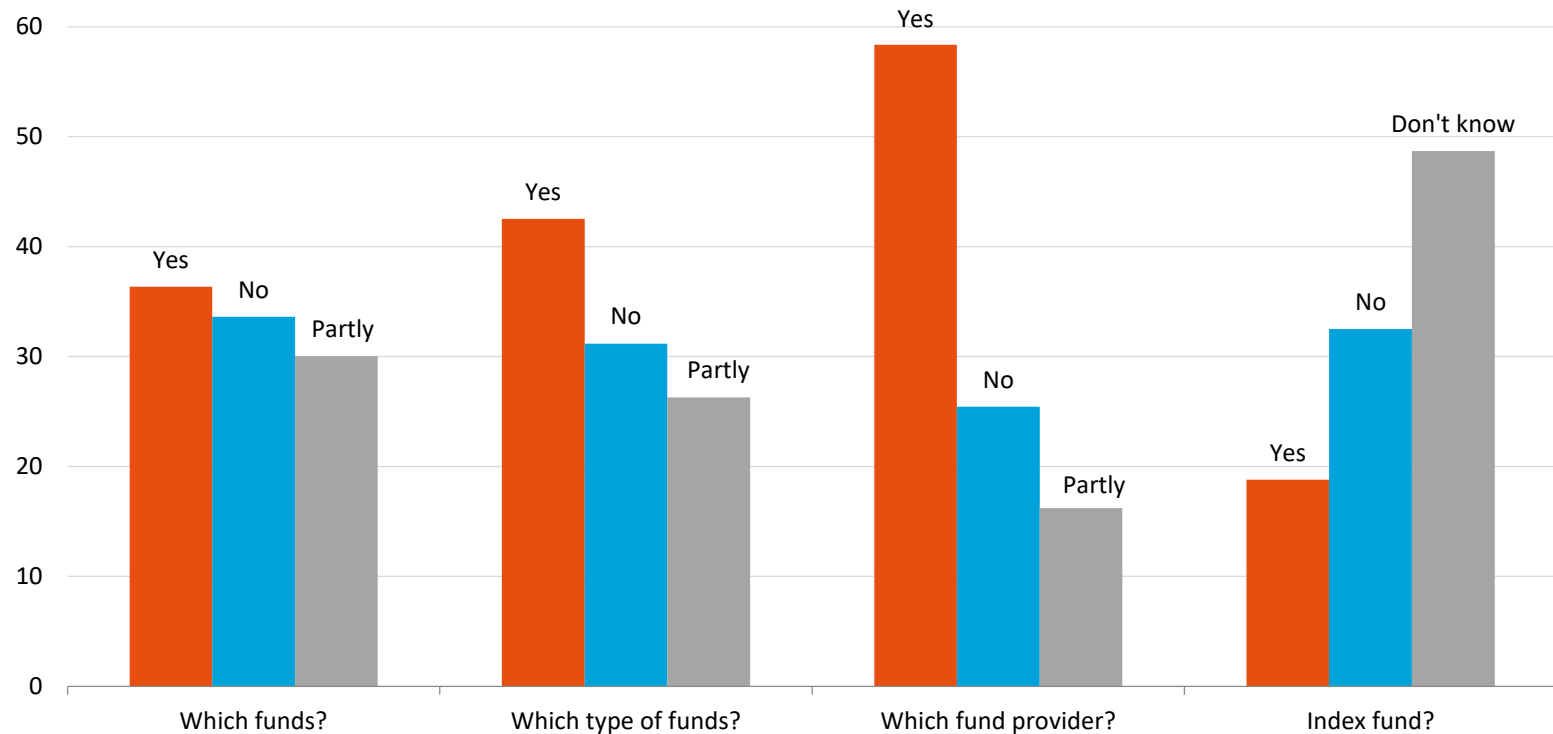
...than people who are not influenced by others when choosing a fund for their premium pension





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

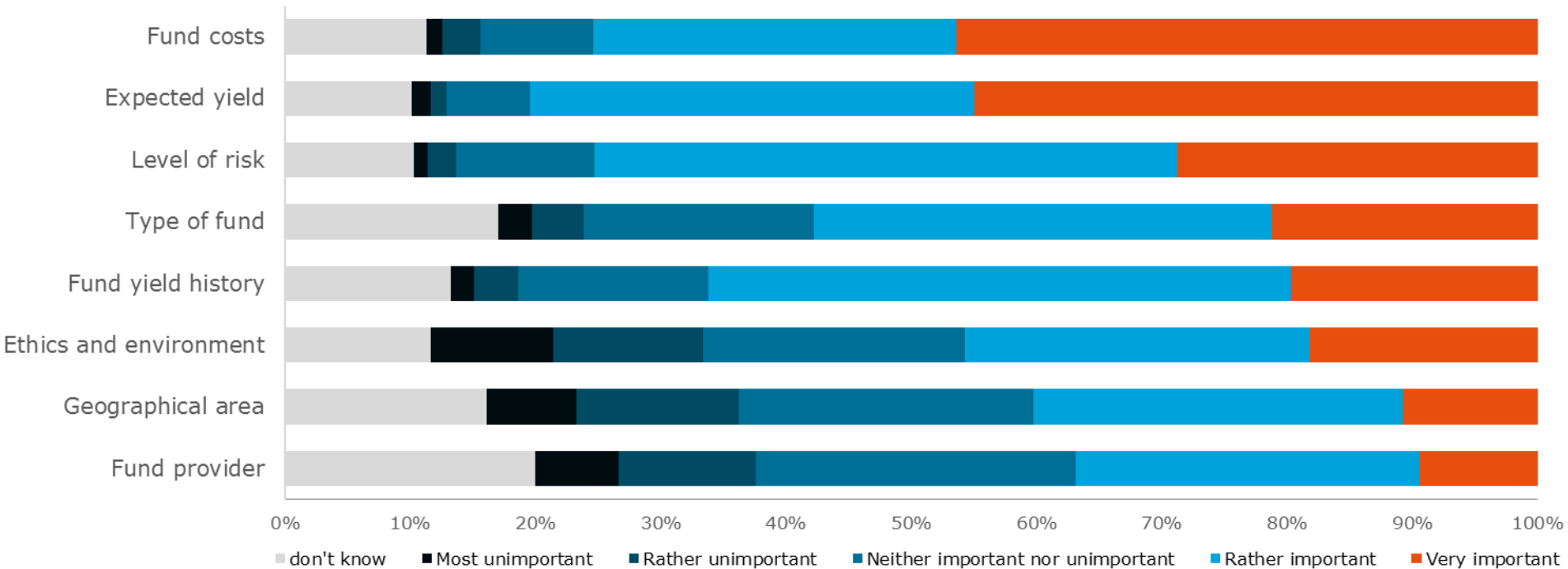
- Most know fund administrator, but have less knowledge on chosen fund or type of fund
- Many seem insecure and remember only partly
- 19% of people have an index fund, 49% don't know





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**

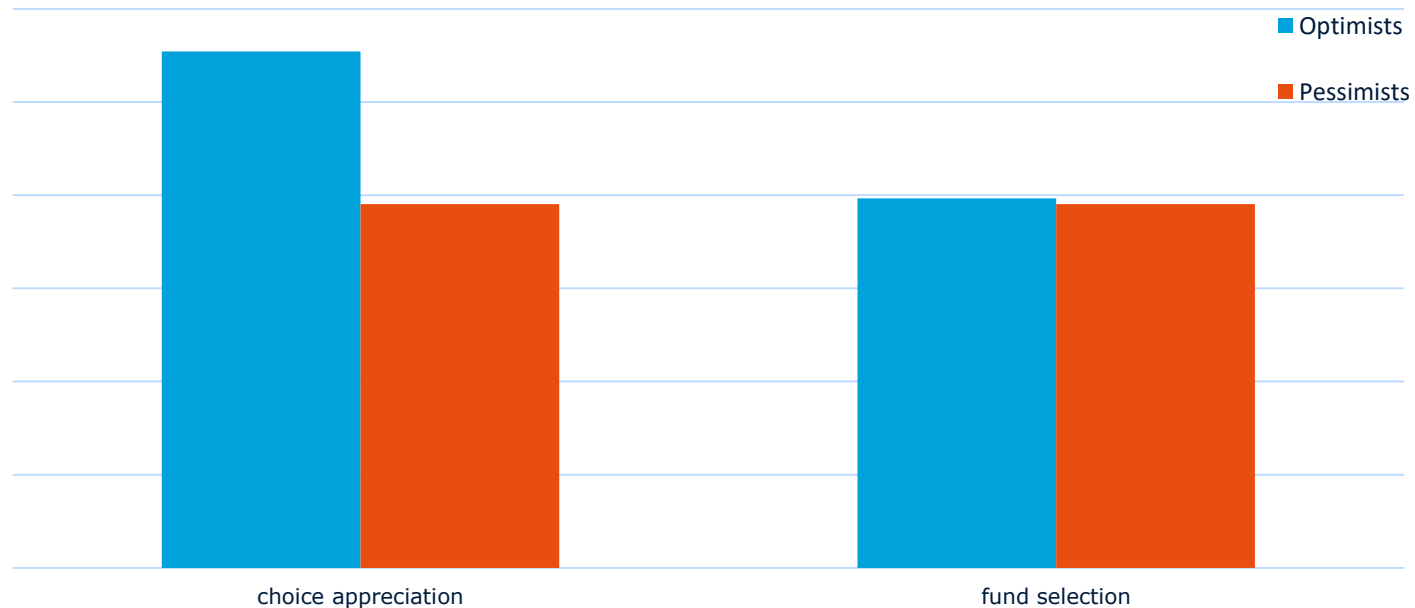




Expected financial well-being

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

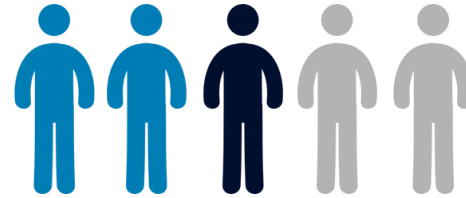
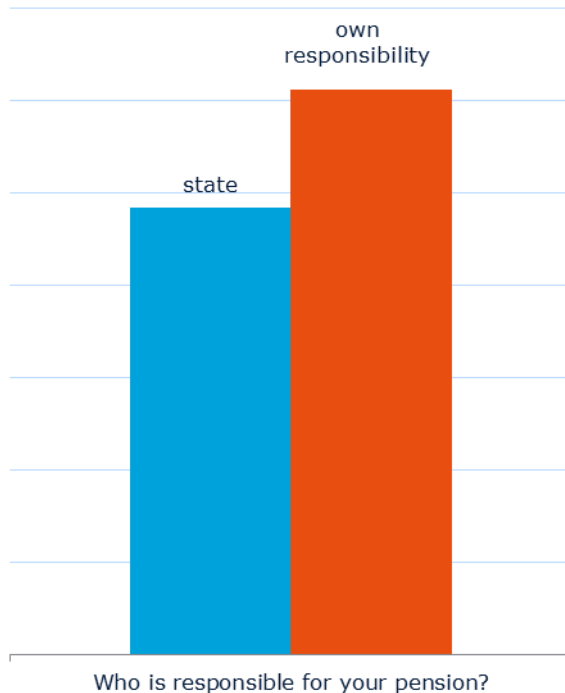


Pension responsibility


- 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



2017

Data implications

Data implications

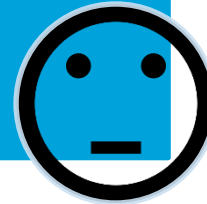
- Increases expectations of financial well-being

Choice appreciation



- No effect on financial well-being

Fund selection



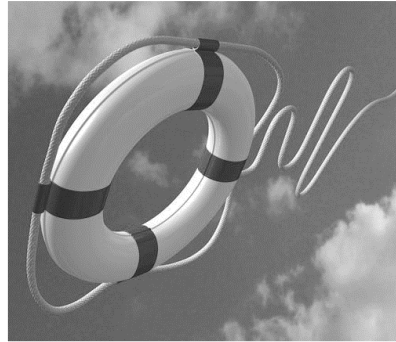
Data implications

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)

Choice overload

Extensive choice set attracts, but hinders decision making!



Iyengar & Lepper (2000)

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?

Monika Böhnke m.bohnke@student.maastrichtuniversity.nl
Lisa Brügger e.brugger@maastrichtuniversity.nl



Lisa Brügger



Elisabeth (Lisa) Brügger

Questions & Answers



Data collection

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-)



Data collection

Data collection



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

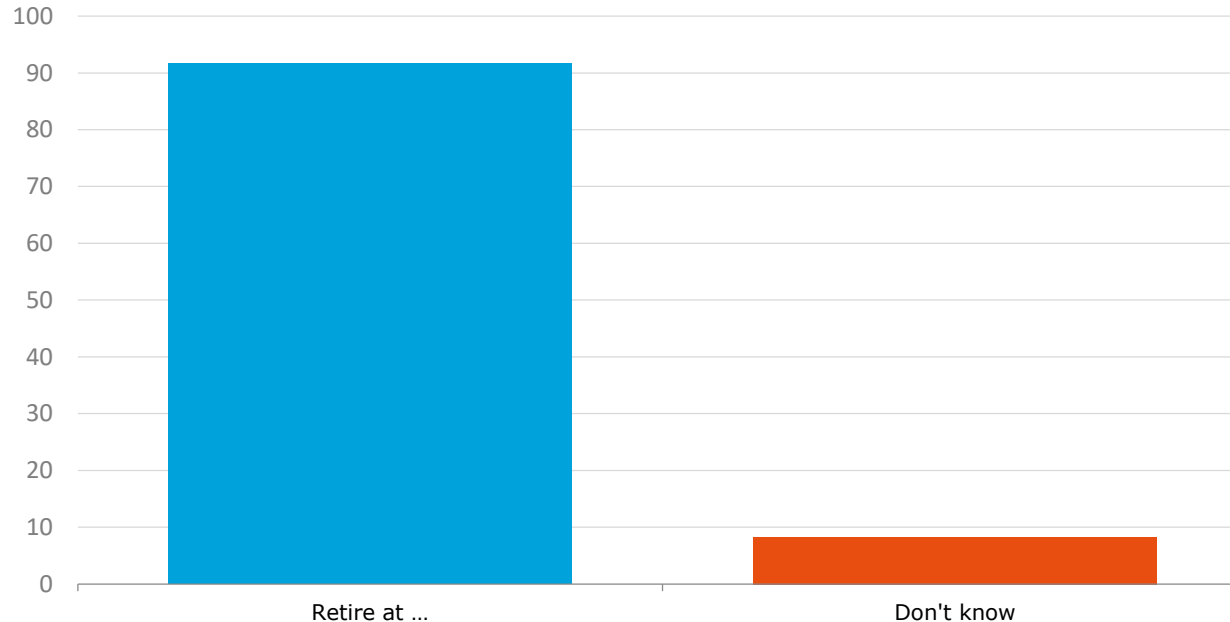
- Dropouts: 268
- Refusal: 8
- Respondents after quota was full: 461
- Non-response rate: 5.2%



Expected retirement age

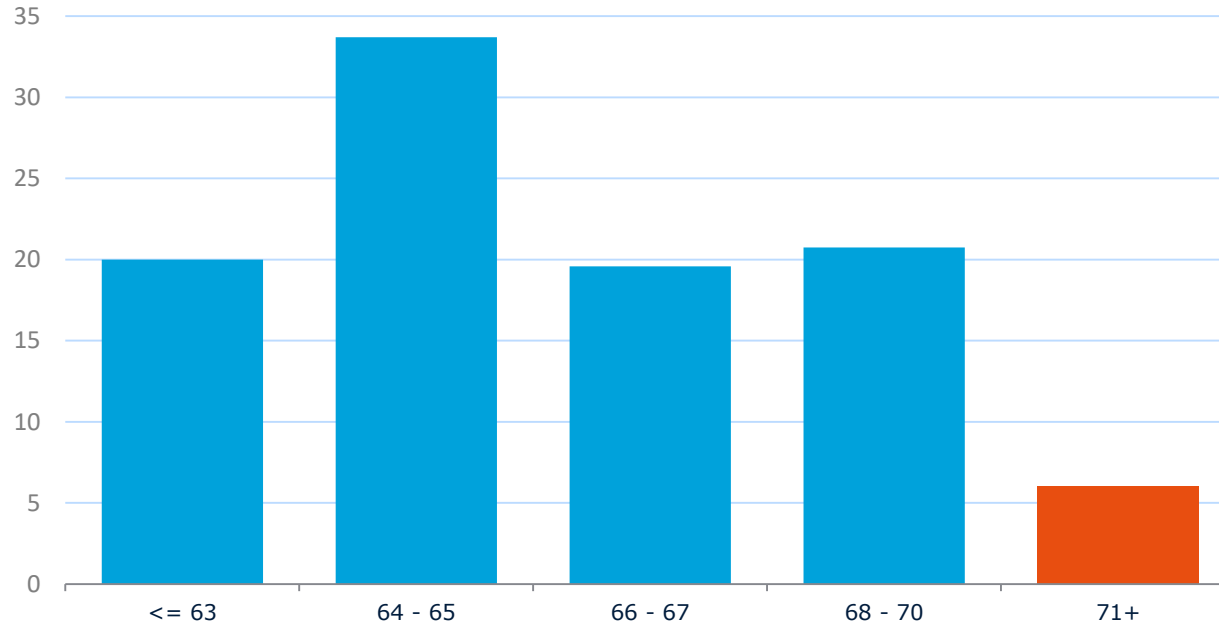
Expected retirement age

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



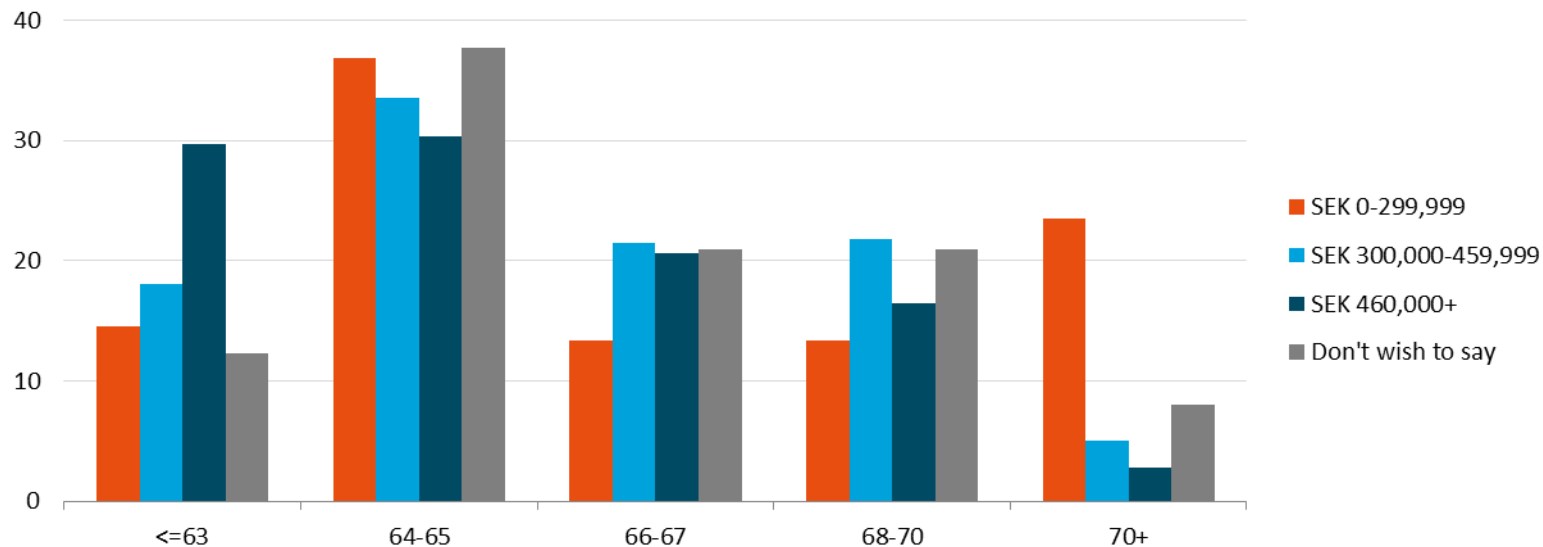
Expected retirement age

- 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





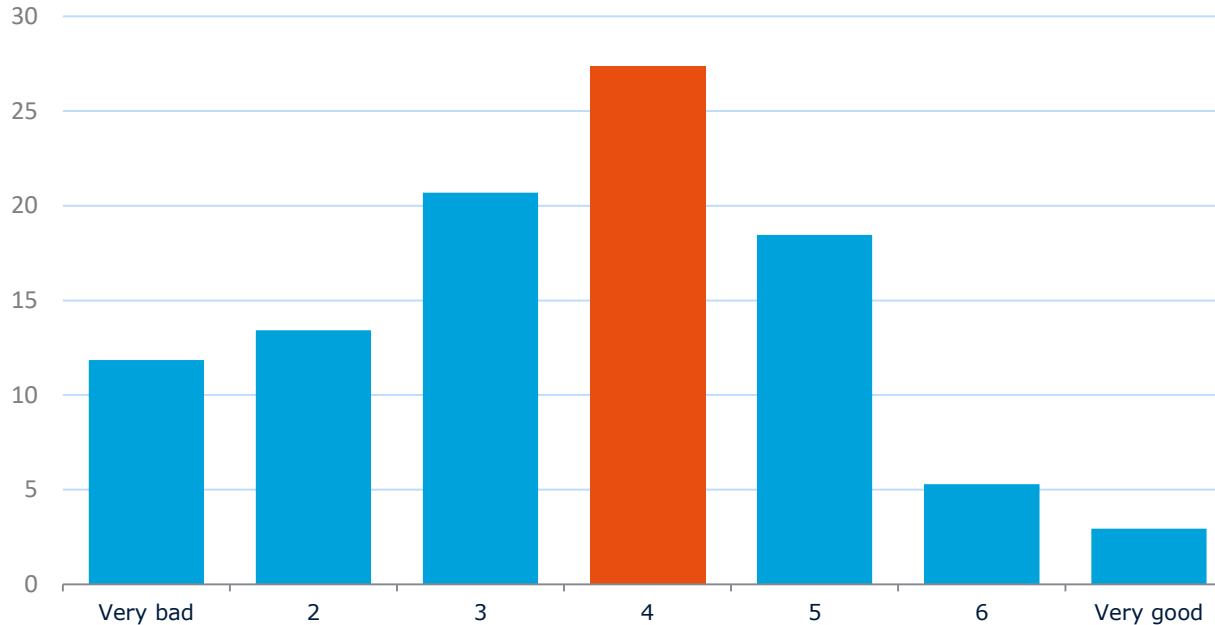
Expected financial well-being

- more on this topic -

Expected financial well-being

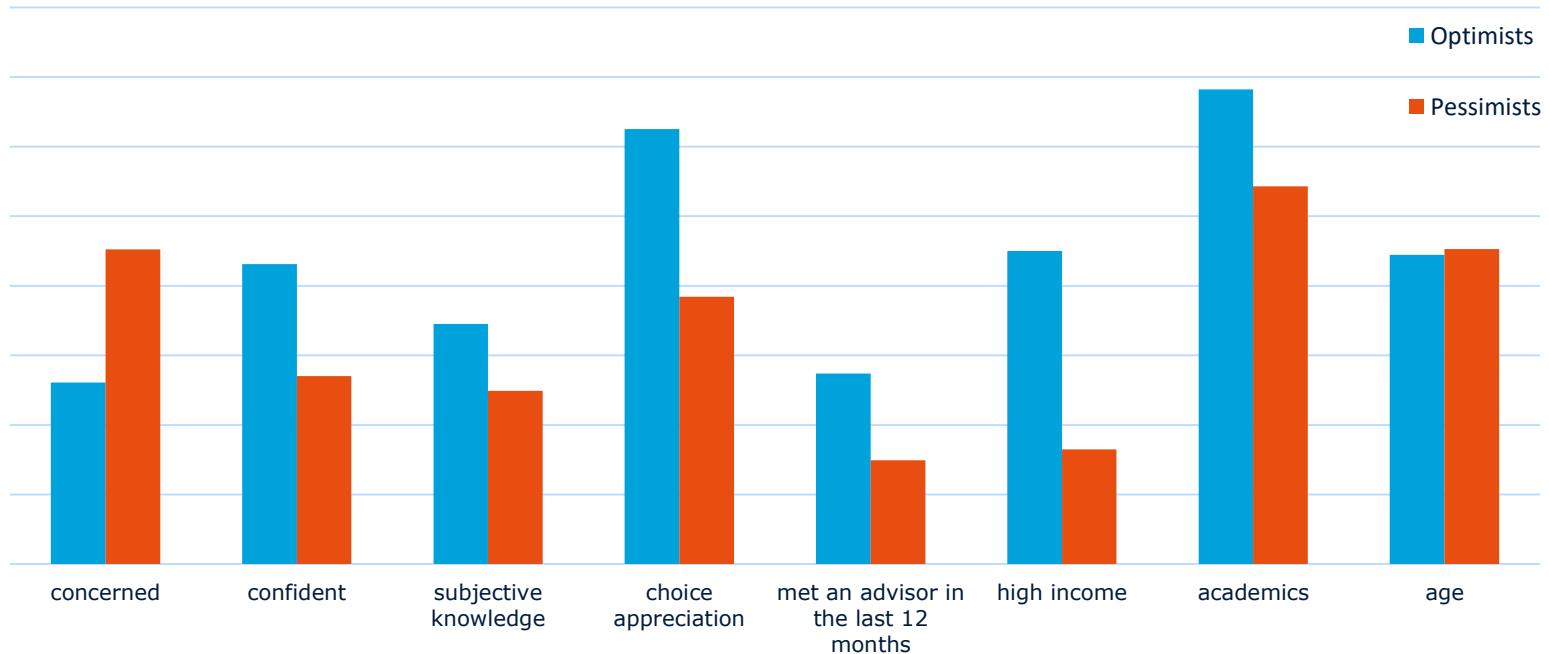


- **27% believe that their future financial well-being is neither good nor bad**
- **27% are more optimistic**
- **46% are more pessimistic**



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**



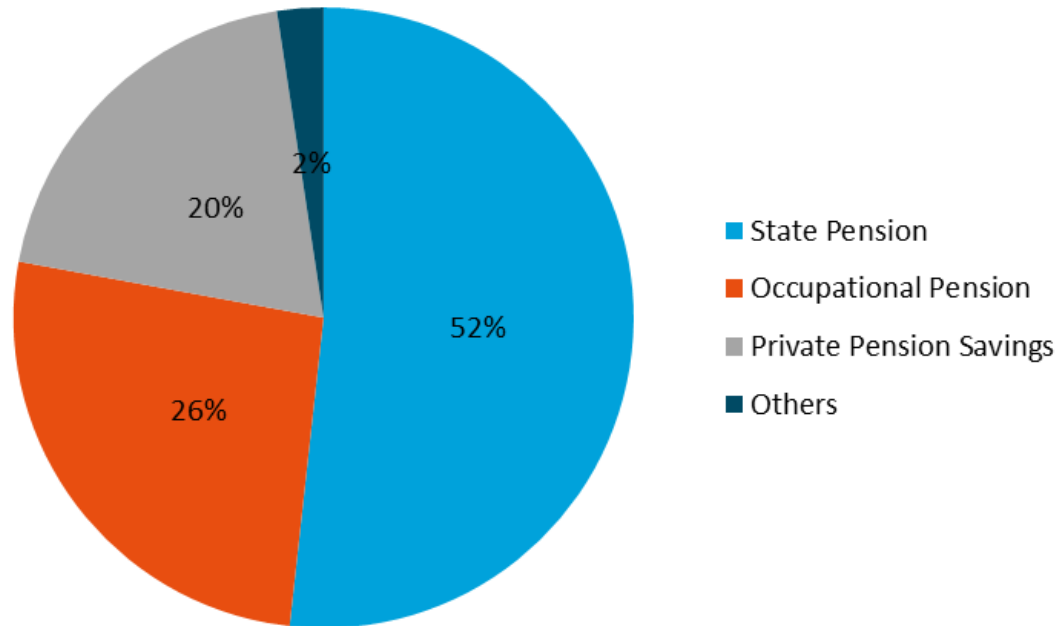
RETIREMENT



Expected sources of income

Expected sources of income

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



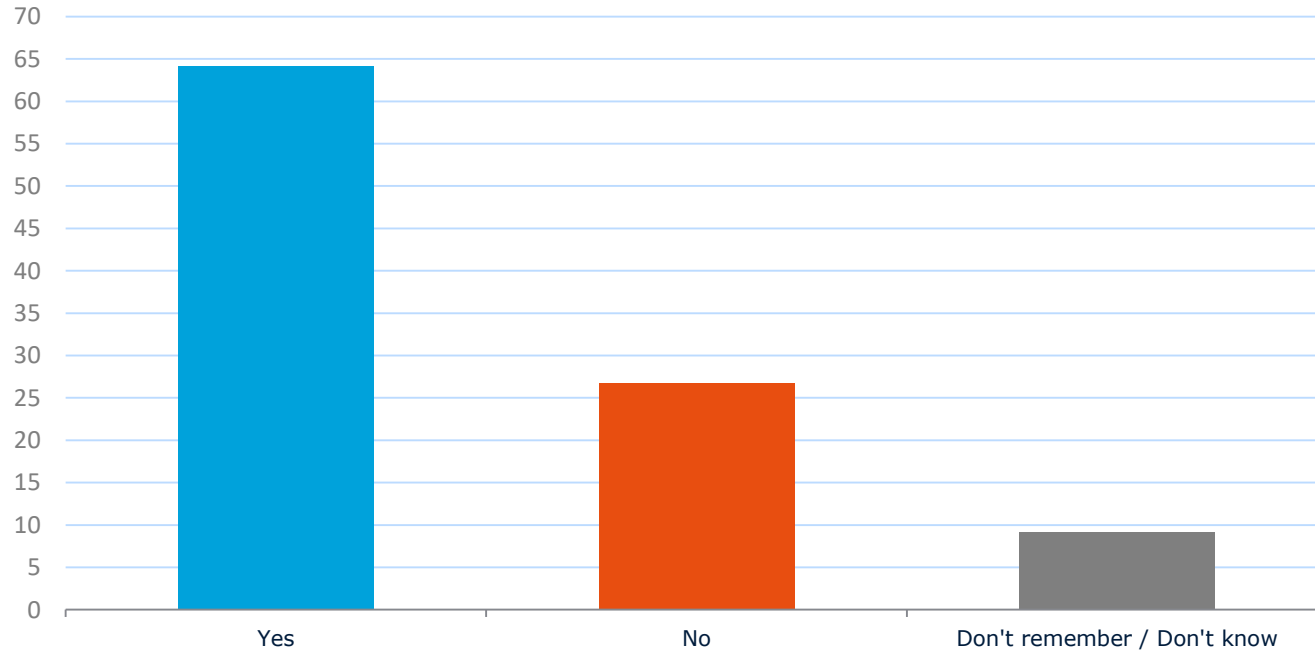


Fund Selection Behaviour

- more on this topic -

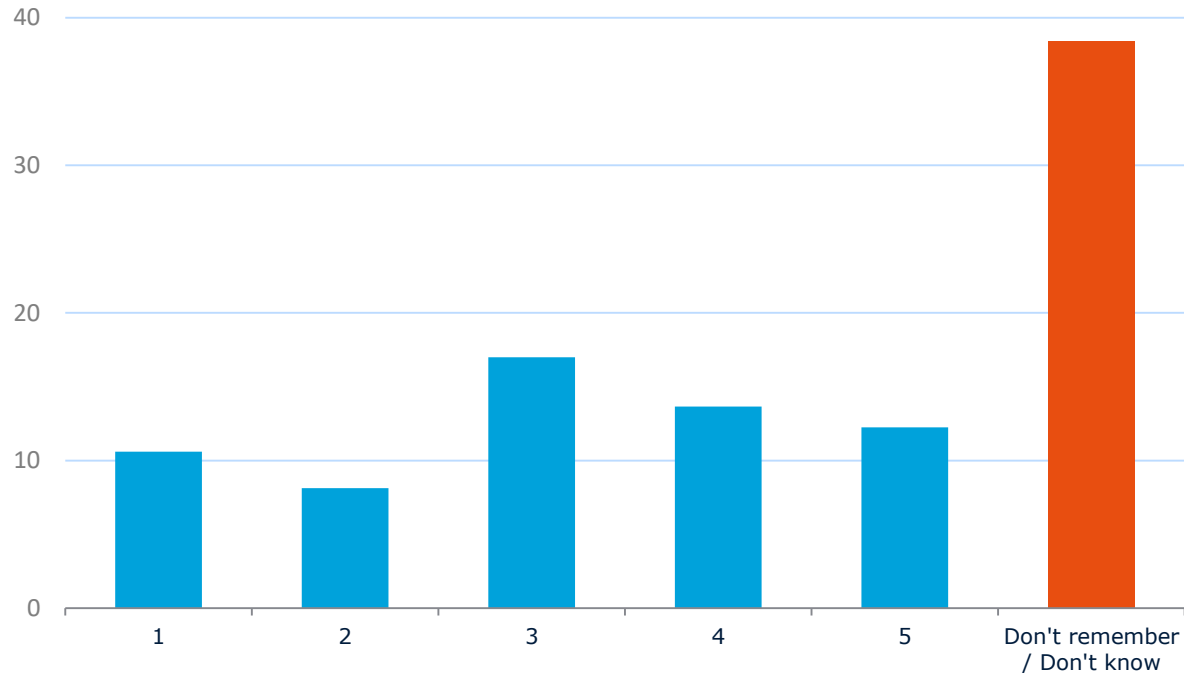
Fund selection

- 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**

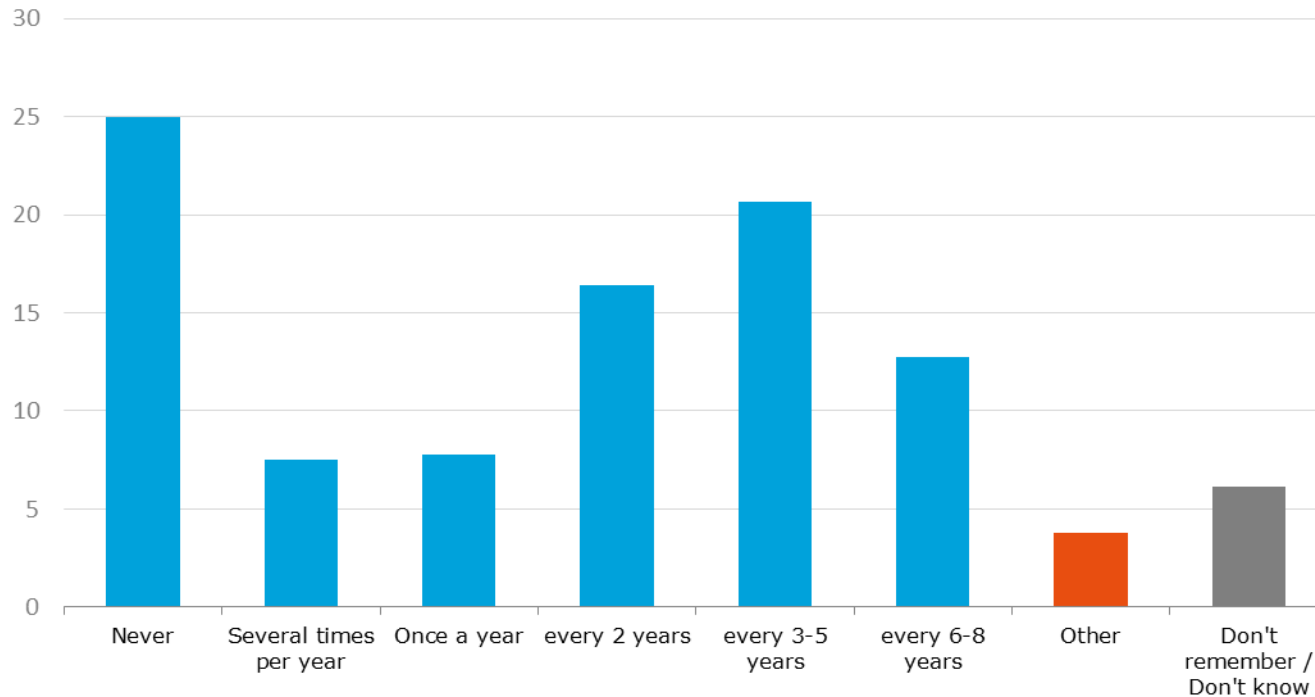




Fund Switching Behaviour

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**





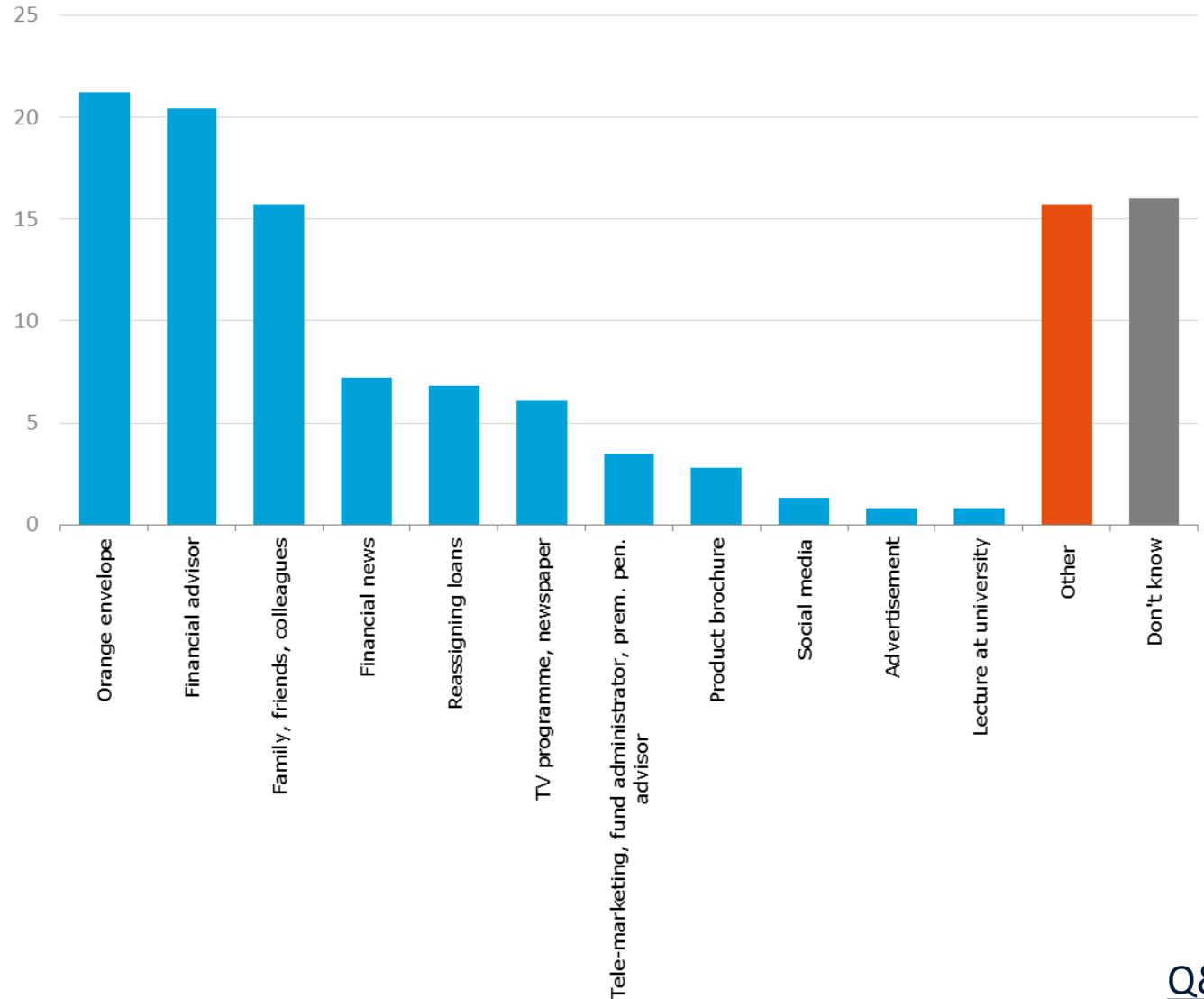
Choice trigger

- more on this topic -

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

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

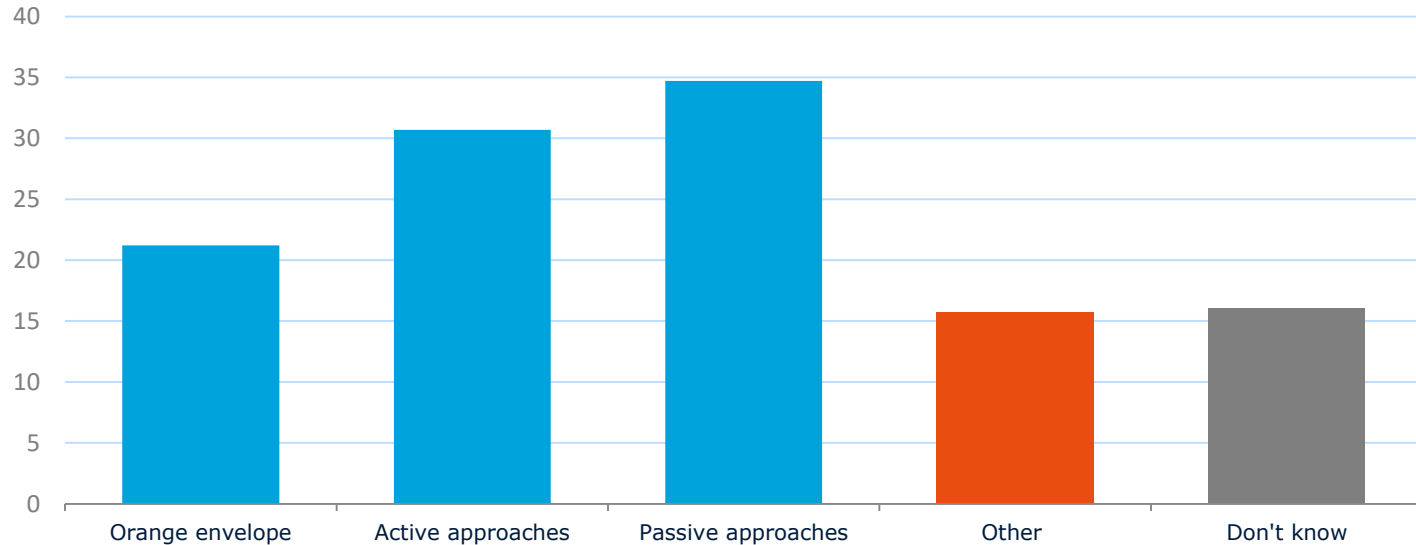
Respondents could have chosen more than one option.



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**

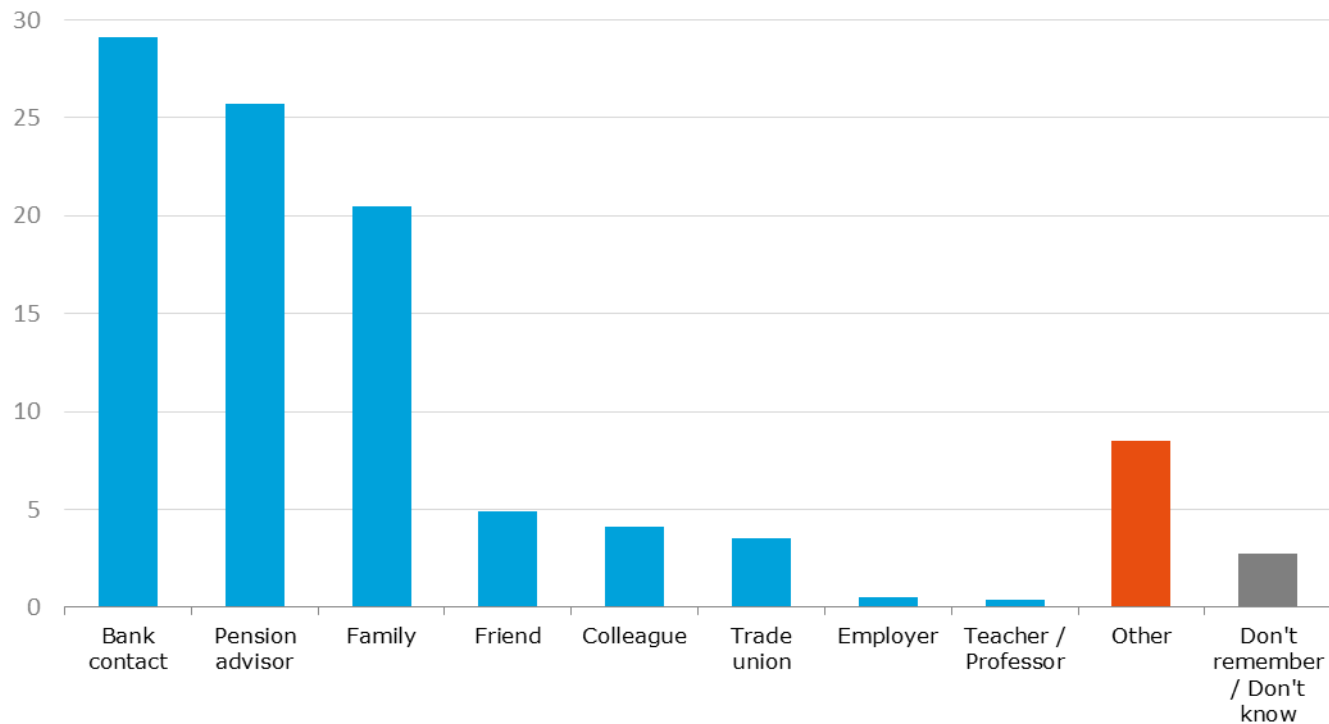




Contacts that actively influenced
people in their decisions

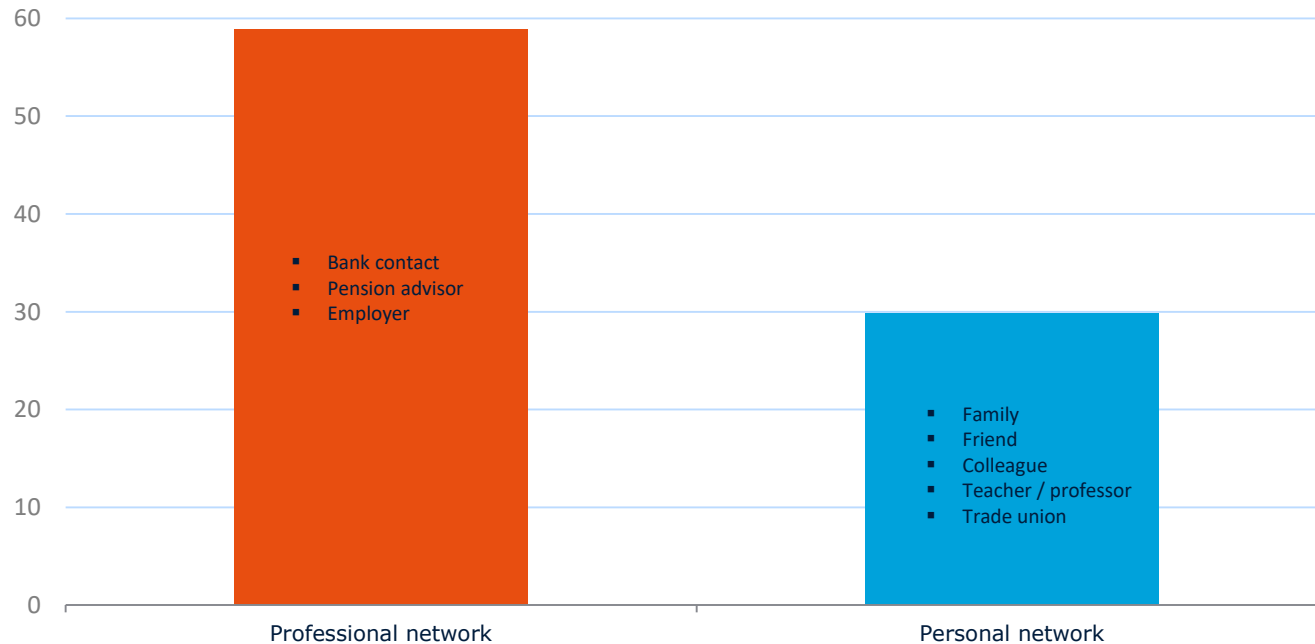
External influences

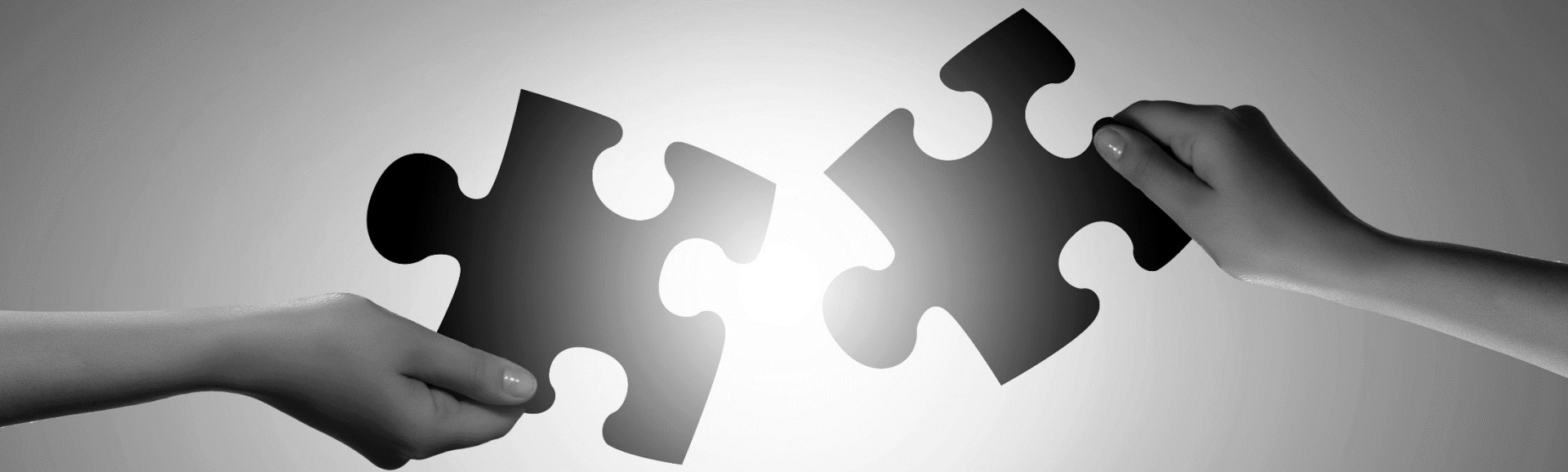
- **Most important influencers are bank contacts, pension advisors and family members**



External influences

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



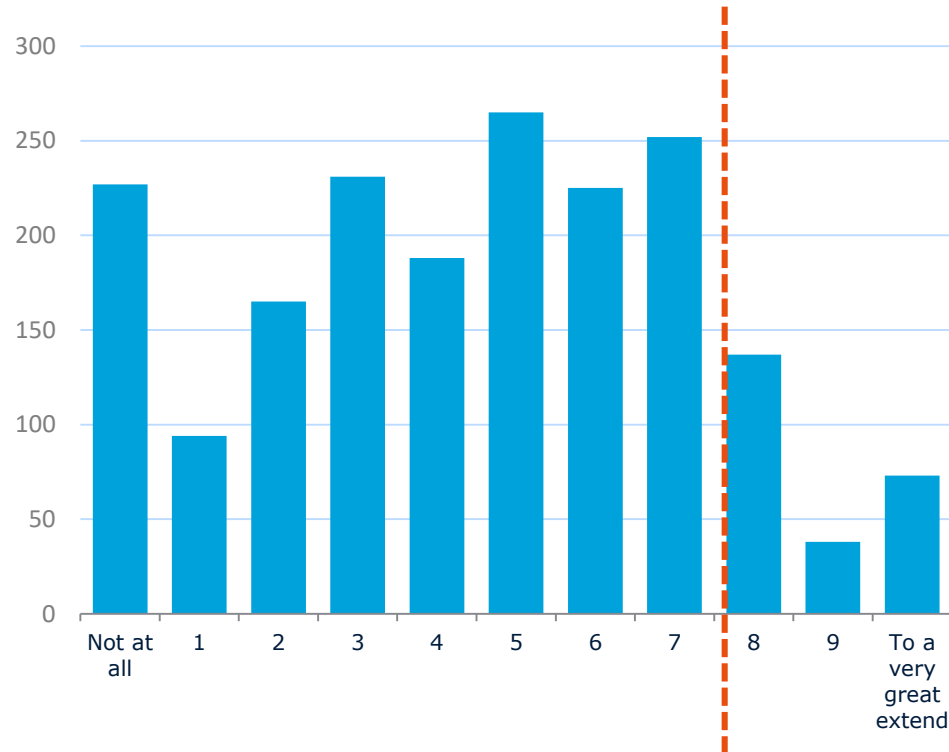


How informed people felt...

How informed people felt...

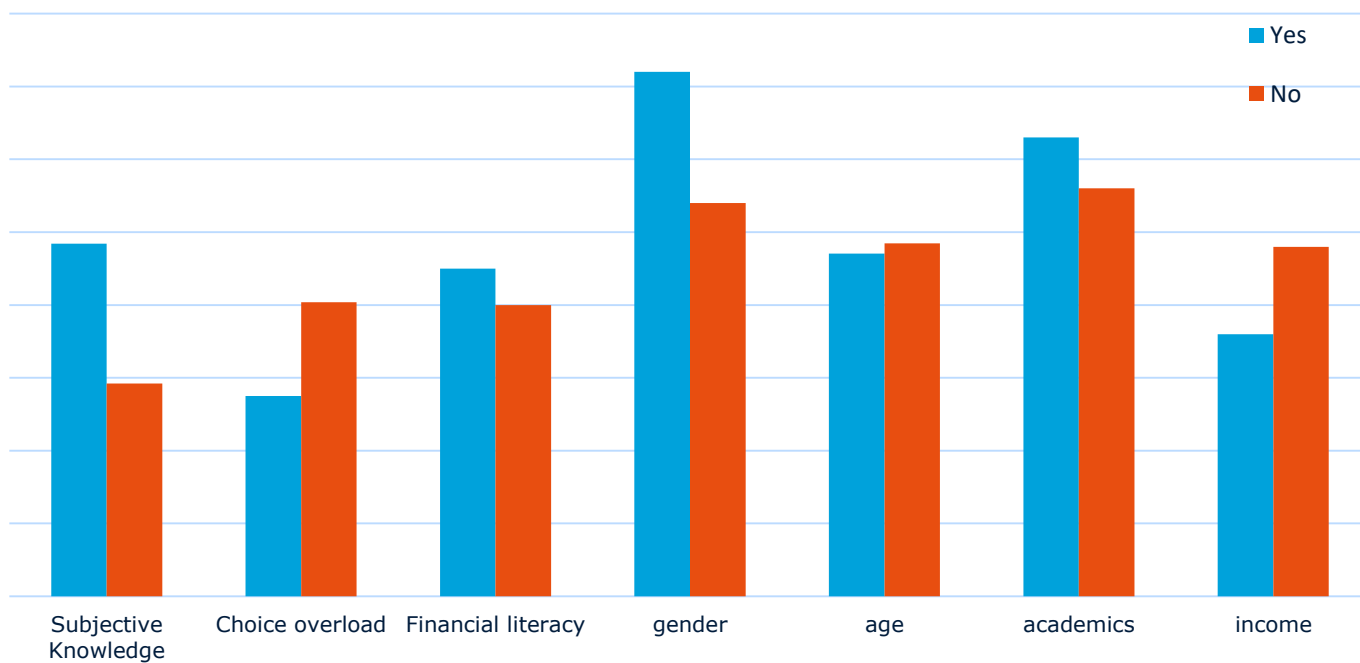
... when they selected investment fund(s)

- 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

