

The Role of Information on Retirement Planning

“Retirement planning behaviors are widely studied, yet population data show perplexing patterns of savings, especially among households who reasonably should expect to live long and healthy lives after separating from the workforce. Savings choices are increasingly focused on the decisions of individuals, rather than public plans or employer mandated pensions (Poterba, 2014). However, policy-makers’ attempts to stimulate more individual-level savings have not shown strong effects (Duflo et al., 2007). One problem appears to be related to people failing to fully plan ahead for retirement and neglecting longer-run financial management in general. People who lack information about these issues may fail to make a plan, or proceed to design a plan based on incomplete information. Educational programs targeted to workers hold promise to help people recalibrate their expectations and shift their savings behavior. Well-targeted financial education might facilitate people to pursue their individual retirement saving preferences in ways that default rules or incentives alone cannot. This study looks at the effect of financial education on retirement savings offered to employees in an online format.” (Collins and Urban, 2015).

Quick facts

Barriers addressed



Entry & Capability
High cost of using DFS (incl. transaction cost)



Consumer Protection
Non-transparent product information

Segment focus

1 2 3 4

Geography

Wisconsin, United States

Sources

[Collins and Urban, 2015.](#)

Customer Journey Relevance



Key stakeholders involved

1,052 credit union employees (80% women)
45 credit unions
Precision Information, LLC (an online financial education company)

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Key activities

- “Follow employees at 45 credit unions where access to a 10-unit online financial education course was randomly assigned at the firm level.”
 - Employees in control group were provided with a free 10-module online financial education program.
- Conduct a survey of sampled employees concerning their “self-assessed financial knowledge and self-reported behavior before and after the offer of education.”
- Review employer-based retirement account contributions before and after the intervention.

Outcomes/results

- “Employees demonstrated high cooperation rates, with more than 90% of those offered education completing the online education modules.”
- “Employees offered the online education increase their level of self-reported financial knowledge, as expected.”
- “Exposure to the education is associated with greater self-reports of individual retirement plan participation.”
- A 47% increase in employer retirement contribution amounts demonstrated via administrative data.
- “A monthly increase of \$30 per employee at credit unions where the education was offered.”
- “No self-reported declines in education savings or increases in paying late fees on bills, suggesting that individuals are not substituting retirement savings with other uses.”
- “Employees exposed to the educational modules were also more likely to engage in broader financial management activities. The program shows an increase in budgeting (a 5 percentage point increase) and saving three months of expenses (an almost 9 point increase).”

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Key enabling environment factors for the intervention

- Sample of participants is formally employed with a steady income
- Employer offers employer-subsidized retirement contributions
- “It could be the case that a certain baseline level of financial knowledge must exist prior to engaging in workplace financial education, which might suggest the estimates of the study are on the higher end.”

Key design elements and principles that led to successful outcomes

For participating employees, this was a low-cost intervention, as they were permitted to take the course during work hours on paid time.

Potential for scale/replicability

In the United States, the program has been replicated in 13 other states as of 2015. The program could be scaled and replicated in other states and countries where employer-subsidized retirement programs are available.

Low cost online financial education (linked to employer retirement plans), accessible in the workplace during working hours (especially for women) could be scaled to incentivize savings.

- The sampled population in this study were mainly bank tellers who are exposed more to the financial system.
- One potential policy that would scale this program would be to provide subsidies to firms who provide online education at the workplace as an enhancement of tax incentives or changes in deferral limits.

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Recommendations from the research

- “Employees might generally benefit from education programs paired to incentives to save, if the costs of delivery and opportunity costs of attending education can remain relatively modest.”
- Teach on the distinction between saving for retirement and saving for emergencies (keeping the two apart).
- Promote retirement savings products/accounts with education-based approaches rather than default or automatic enrollment

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