

# Why pension plan participants are not (enough) engaged in retirement planning

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# Setting the Stage

What is the  
problem that we  
want to solve?

How much should  
we increase  
participant  
engagement?

What are the  
options available?

Participant  
Engagement

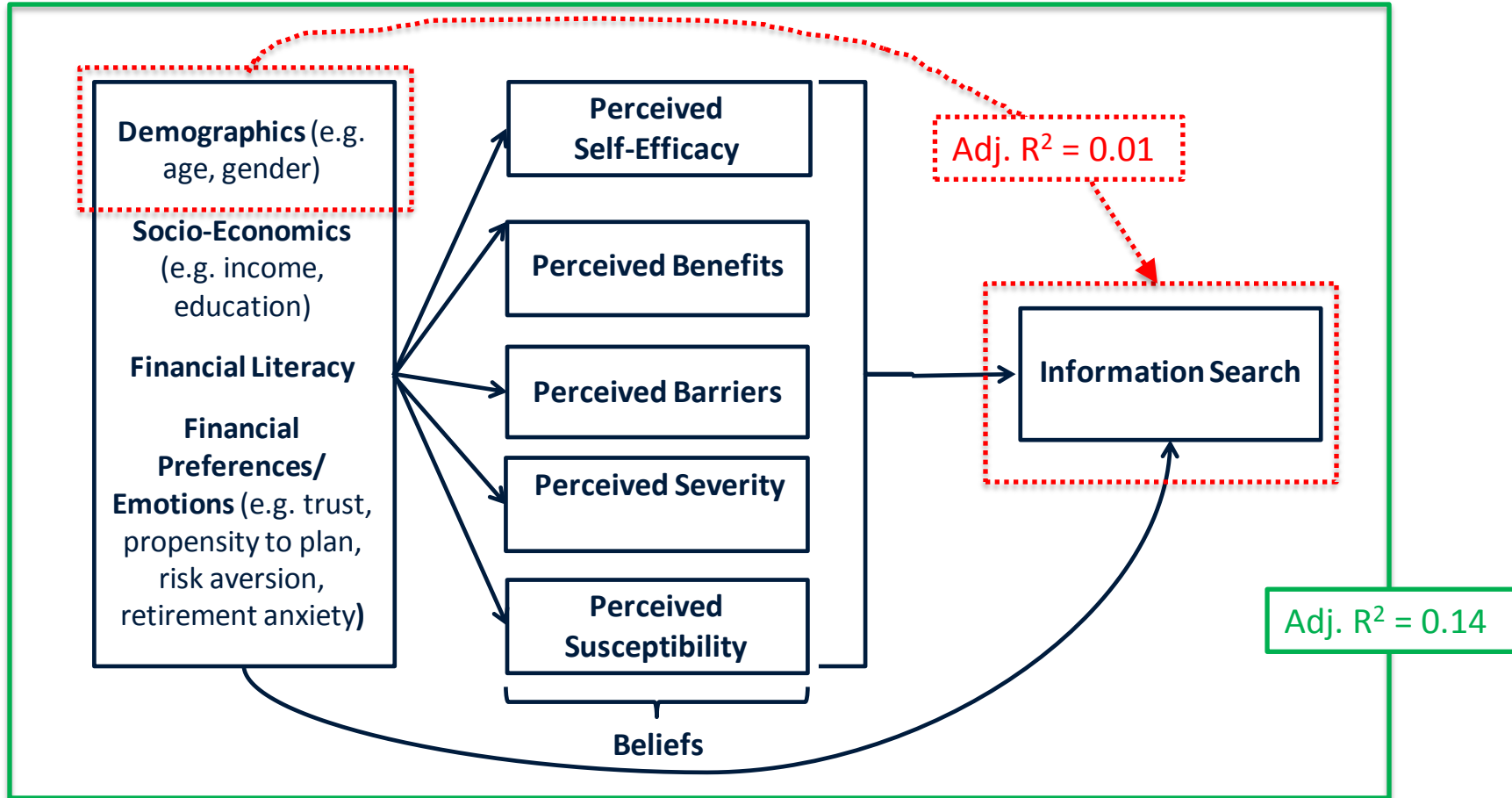
How can we  
increase  
participant  
engagement?

What is  
participant  
engagement?

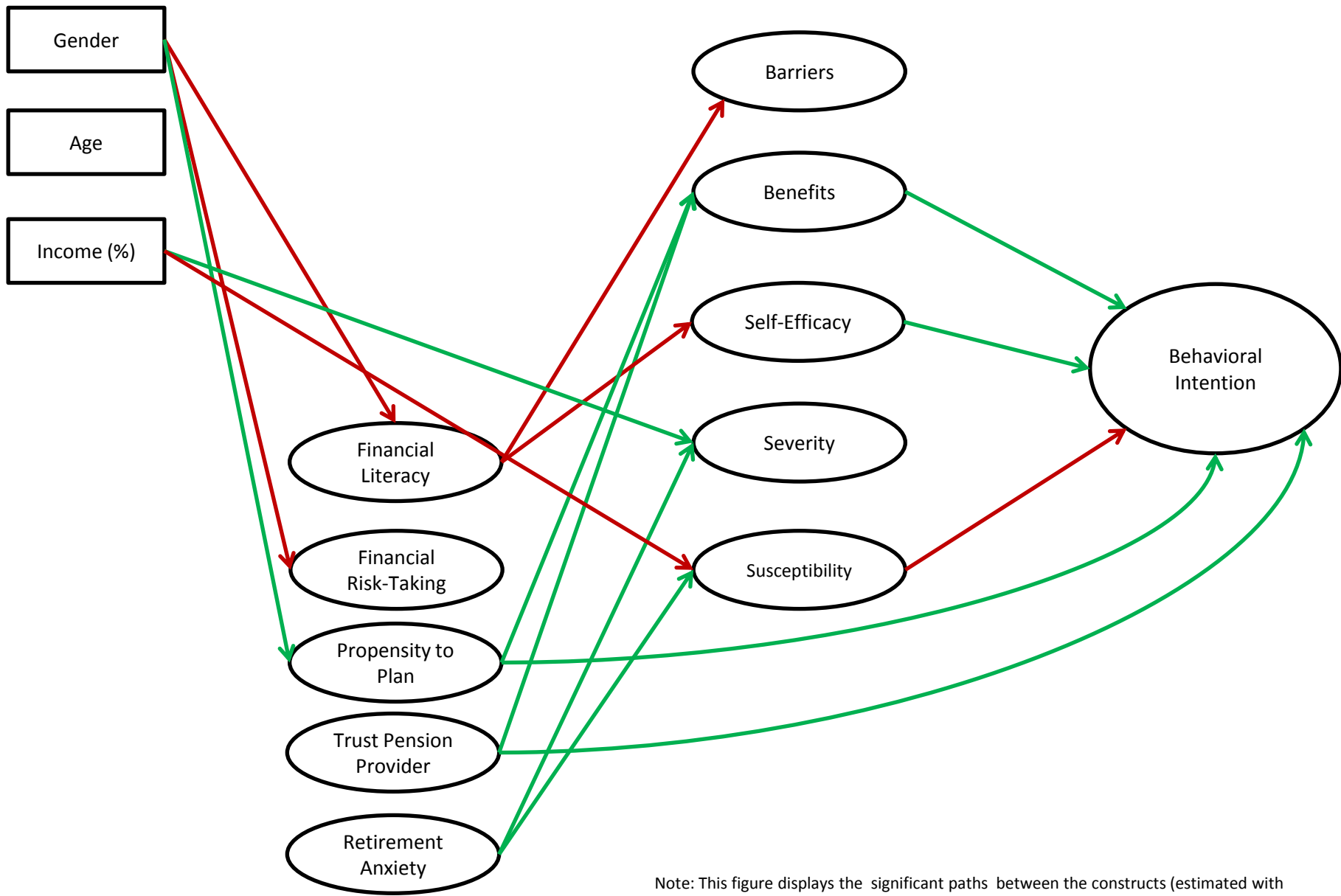
Why are  
participants not  
engaged?

# Why are participants not engaged?

## (1) The role of beliefs – The Retirement Belief Model



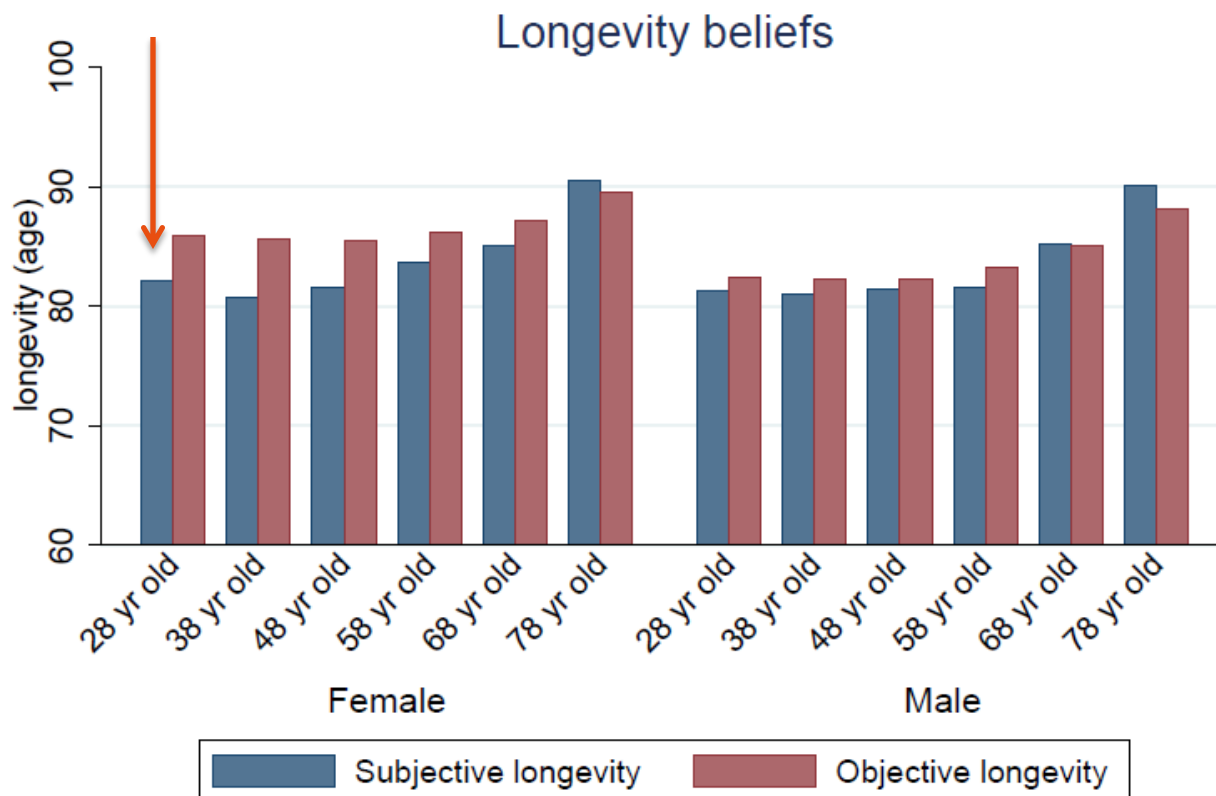
Estimated with NEST data in Eberhardt, Brügger, Post (2017): Understanding Heterogeneity in Information Search: The Retirement Belief Model



Note: This figure displays the significant paths between the constructs (estimated with traditional PLS). Red lines indicate negative relationships, green lines positive ones.

# Why are participants not engaged?

## (2) Lack of future orientation (of the young)



Source of expected longevity estimates: Social Security Administration, 2016

Heimer, Myrseth, Schoenle (2016), YOLO: Mortality Beliefs and Household Finance Puzzles

# Why are participants not engaged?

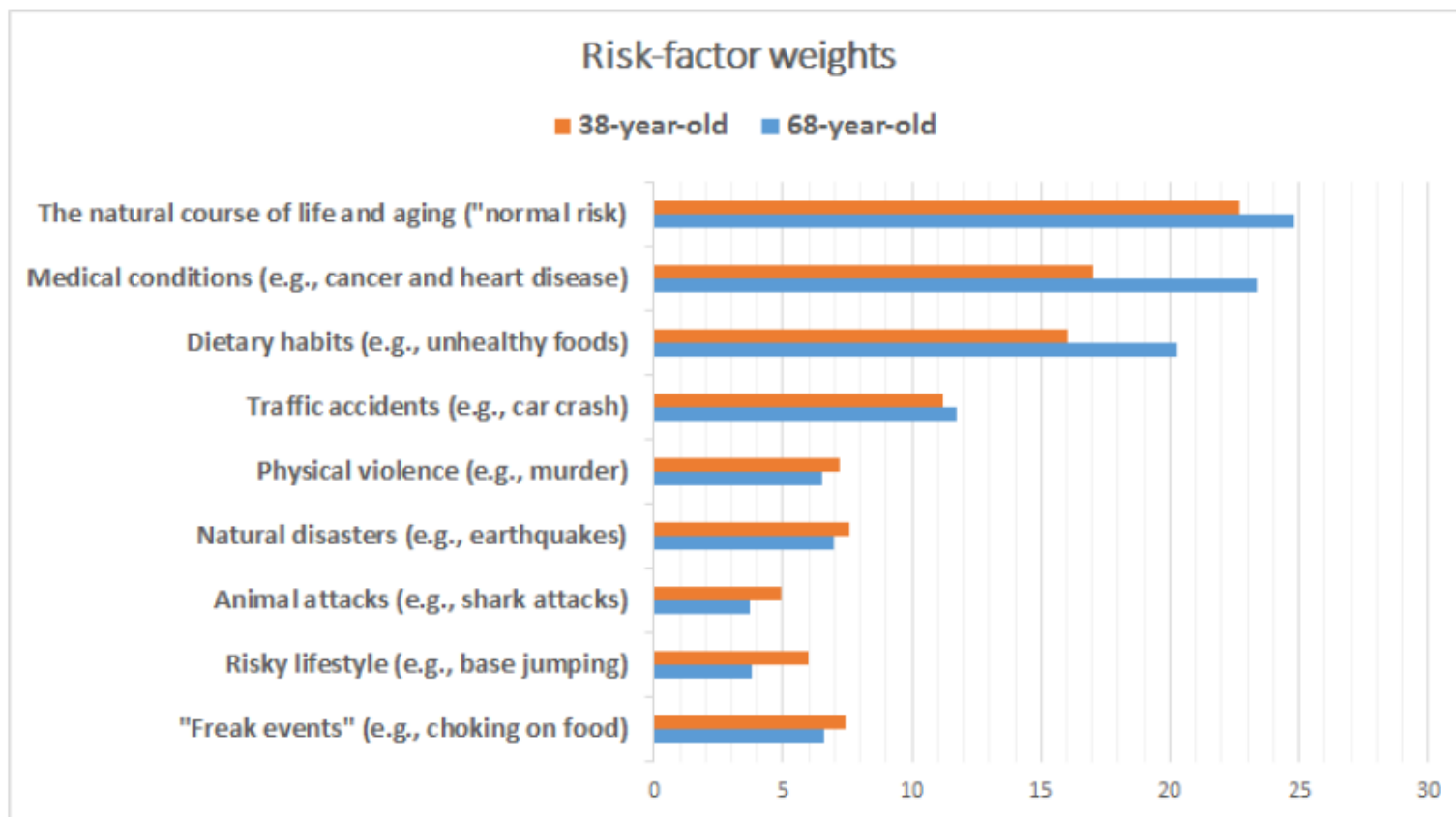
## (2) Lack of future orientation (of the young)



Heimer, Myrseth, Schoenle (2016), YOLO: Mortality Beliefs and Household Finance Puzzles

# Why are participants not engaged?

## (2) Lack of future orientation (of the young)



Heimer, Myrseth, Schoenle (2016), YOLO: Mortality Beliefs and Household Finance Puzzles

# How can we increase participant engagement?

1. Send better messages (framing)
2. To the right people (segments)
3. At the right point in time (life events)



# How can we increase participant engagement?

## (1) Send better messages (framing)

### Investment



**Investing** in your future is getting even more important

**Invest today** in your living standard of tomorrow

**Invest time today** to get insight in your pension

If an **investment** in your future pension is important to you

### Assurance

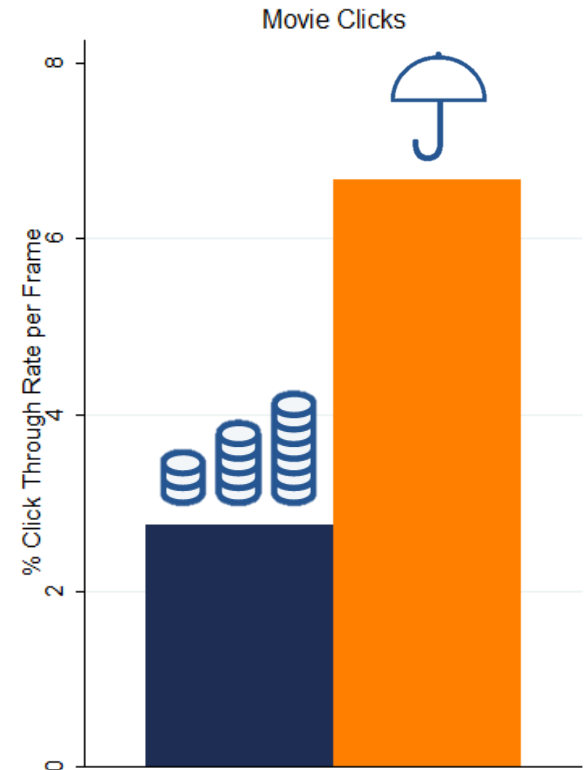


**Ensuring** your pension is getting even more important

**Make sure today** that you understand the changes to the law

**Make sure** you have insight in your pension

If **certainty** about your future pension is important to you

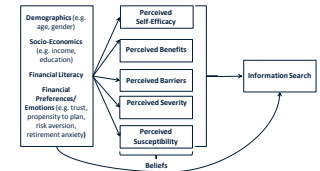
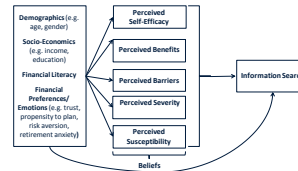
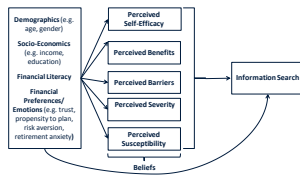


Eberhardt, Brüggem, Post, Hoet (2017): Framing the Future: Investment and Assurance Frames

# How can we increase participant engagement?

## (2) To the right people (segments)

- Idea: take the RBM
- Fit it to *segments* of participants



- But: let the algorithm decide on the segments
- (then adapt communication/target...)

# PATHMOX Tree

Unregistered

55%

78% with  
weighting

Node 5  
Married

Node 8  
Unmarried, no  
children

Node 9  
Unmarried, >1  
children

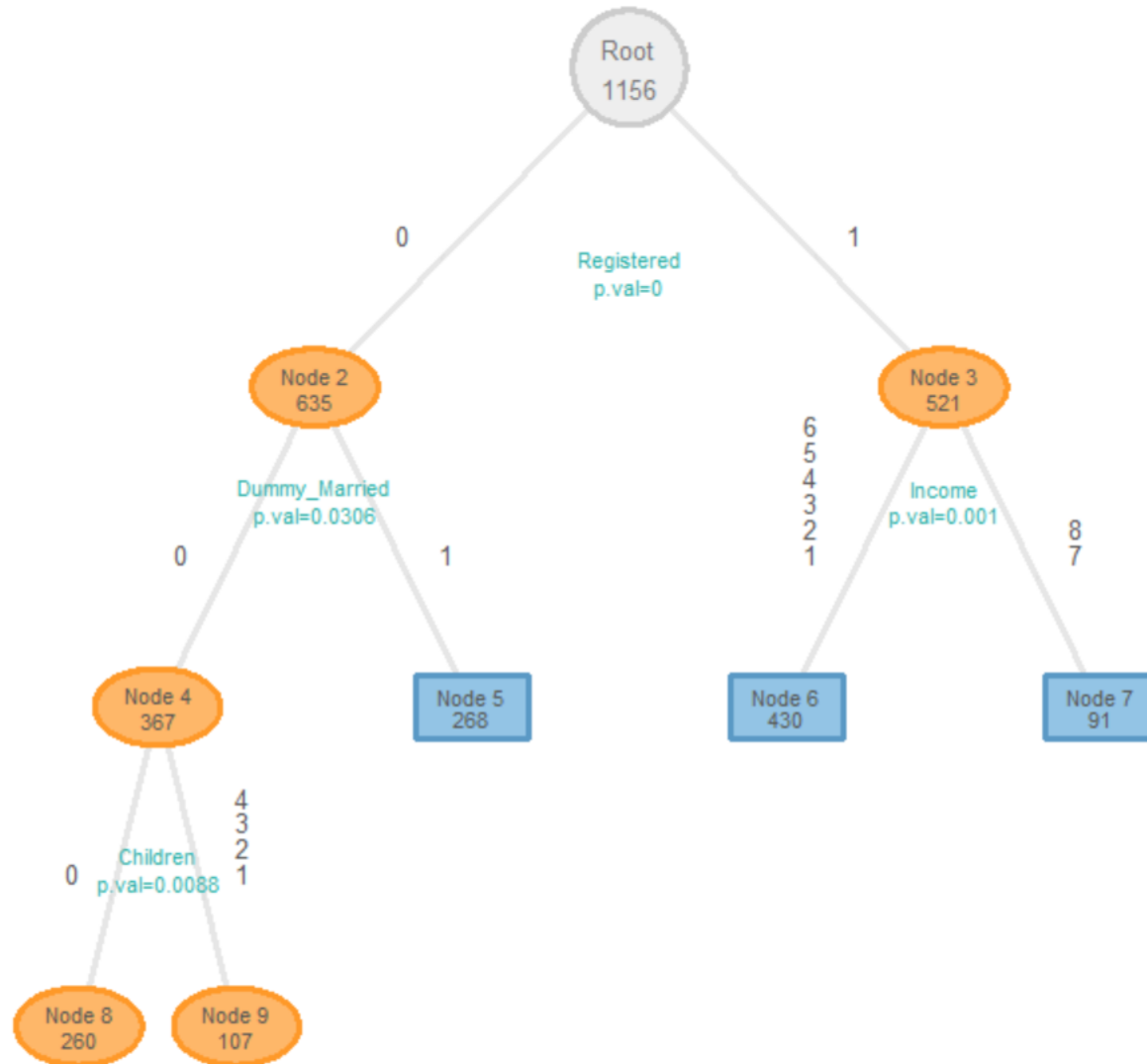
Registered

45%

12% with  
weighting

Node 7  
> £ 35,001  
yearly income  
before tax

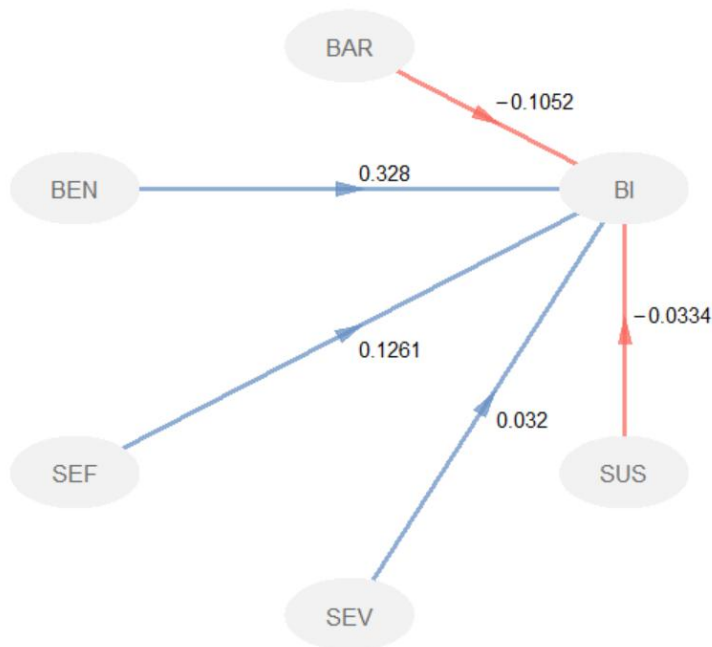
Node 6  
< £ 35,001 yearly  
income before  
tax



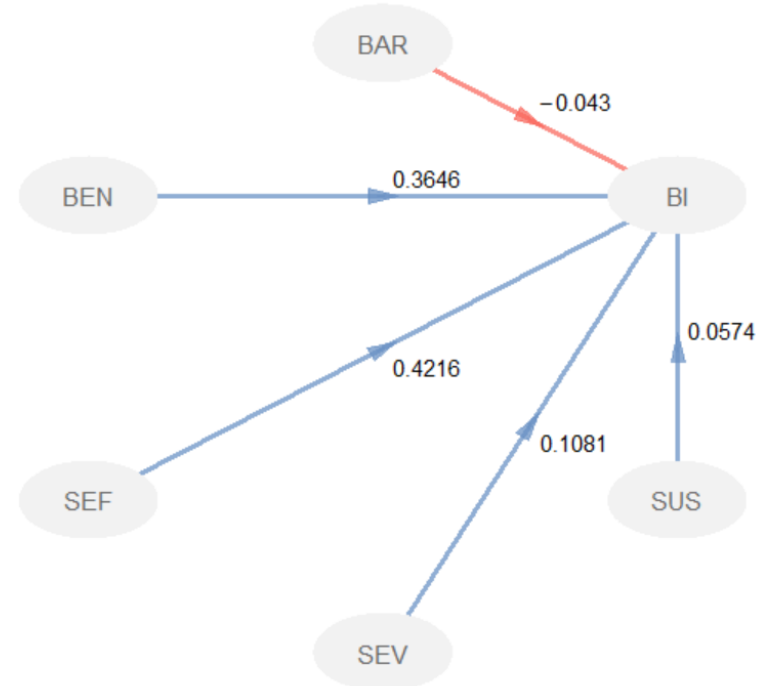
# How can we increase participant engagement?

## (2) To the right people (segments)

Node 6: Registered  
< £35,001 yearly income before tax



Node 9: Unregistered  
Unmarried, >1 children



# How can we increase participant engagement?

## (3) At the right point in time (life events)

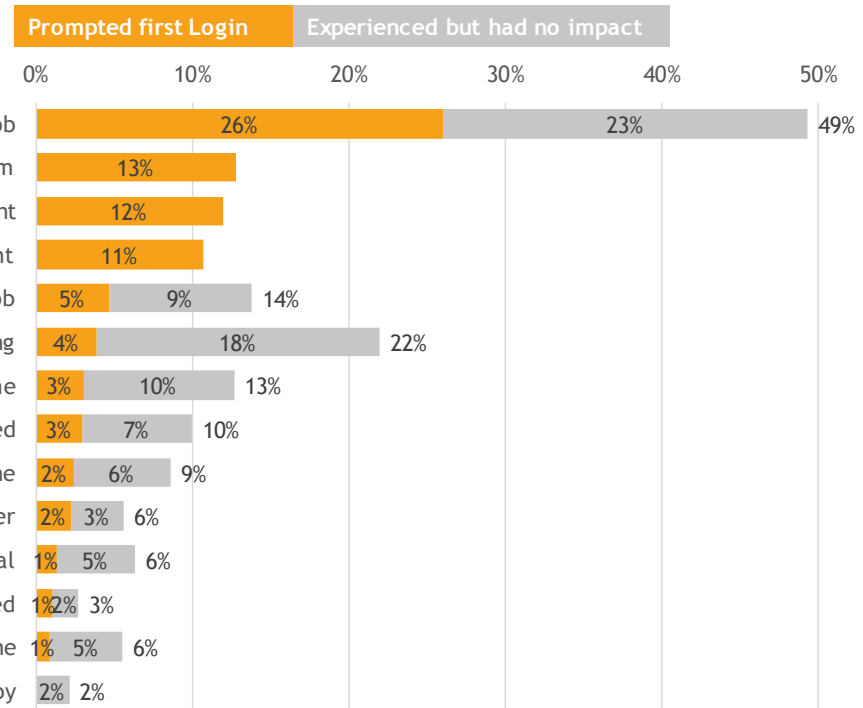
- *“You want to be sure that your children can do anything they want”*
- *“You do think, I have to make sure that we have enough for the future,  
  
however then you quickly get back to your daily things that need to be taken care of”*

# How can we increase participant engagement?

## (3) At the right point in time (life events)

### What prompted the first login

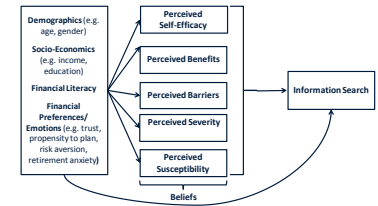
58% Any life event prompted first login



NEST Member Research, 2016

# Summary

- Understand why participants are not engaged, then
  - Send better messages (framing)
  - To the right people (segments)
  - At the right point in time (life events)



**Congratulations!**  
You've turned 40 – time to start thinking about your pension!

OK, so you're still far from retirement. But experience has taught us that it's not a bad idea to take stock of your pension options when you turn 40. After all, you are now at the point where you have a reasonably clear picture of the final stretch of your career path. And as a 40-year-old, you still have enough time to take action if you feel that your pension will be inadequate for whatever reason.

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