Retirement: are you looking forward to it.. or fearing it?

By Martin Sykes

the very start of my career in financial services, I attended a residential sales course. The course lasted two weeks and was designed to impart the skills required to advise on and sell the financial products offered by my new employer.

Although my own sales career was short-lived, many of the things that I was taught on that course have, for various reasons, stayed with me. One of these was that pensions should be sold positively: ‘selling the sizzle’ of a happy, healthy, leisure-filled retirement. This marketing approach is deeply ingrained in the pensions industry. Even today, retirement imagery in financial services literature almost always depicts young retirees engaged in active leisure (think pictures of happy/ smug looking retired couples on bikes, water skiing, strolling on beaches etc).

In traditional face-to-face financial advice models, the sales result will be heavily mediated by the salesman themselves. In these cases, the outcome will likely turn to some extent on whether the customer likes and trusts their adviser. And it may well be that painting positive pictures helps to generate this kind of liking and trust.

Increasingly, though, financial services is delivering advice online. ‘Robo-advice’ of this kind doesn’t need a salesman or adviser. Instead, it relies on computer algorithms to generate recommendations.

So should we expect positive thoughts or fantasy about retirement to improve interest in pension planning in these, salesperson-free, environments?

Behavioural Science gives us good reason to at least wonder. Prospect Theory tells us that people respond more strongly to losses than to gains. So maybe presenting retirement as a potential loss compared to the current state (by focussing on negatives – like less money or worse health) could be more effective than presenting it as a potential gain. This might particularly be the case given a body of research showing that positive fantasy can reduce motivation, goal striving and even physical energy.

My masters dissertation set out to directly test the impact of generating positive and negative thoughts on subsequent interest in retirement planning. Three hundred participants aged 30 to 60 were recruited via the experiment participant sourcing company, Prolific Academic. They each completed a standard online, financial services style sales questionnaire. As part of the questionnaire they were randomly assigned to conditions which additionally asked them to consider and record how life in retirement might be better than now, how it might be worse than now or to a control group with no prompted thinking. The final page of the questionnaire subjected them to an auto-starting public domain pension video. It also presented links to sites providing further retirement information. The system timed how long the participants spent watching the video and recorded whether they clicked links.

What was the outcome? The 'worse' condition won. Getting participants to think positively about retirement did create a small (but not statistically significant) increase in the mean time spent watching the video. And it increased the probability of them clicking links to external sites. But the effect was much bigger in the 'worse group'. They watched the video for nearly three times as long on average as the control group.

So what does this tell us? The results lead us to a tentative suggestion that individuals' interest in distant life states can be meaningfully influenced by simple interventions which make them pause and think about their future state in a negative way. In the narrow realm of pensions, it suggests that selling positives (particularly where there is no human salesman or adviser) really might not be the best approach.

PS You can see the video I used in the experiment here https://www.youtube.com/watch?v=oqOZdZ_zrTU. To be honest, it's not that riveting. So if you want to get through the full 13 minutes I strongly suggest you first take a couple of minutes to think about a miserable, lonely and penniless retirement.

This blog post was written by Martin Sykes as a summary of the research undertaken for his dissertation as part of the Executive MSc in Behavioural Science at LSE, 2015-16. Martin is currently a Director at the financial services compliance consultancy, Insynergi UK. Find him on linkedin www.linkedin.com/in/martin-sykes-829983a

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