Using Consequence Messaging to Improve Understanding of Social Security

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Preparing for Financial Security at Older Ages is Difficult

• How can we help people making better decisions?

• We consider two key decisions:
  – When to claim Social Security Benefits
  – Whether (and how much) to annuitize

• We experimentally investigate the power of consequence messaging
  – (Essentially: highlight outcomes of decisions)
How do we get the messages across?

• Tell a story about the possible consequences of certain decisions

• In our case, we try two approaches ("vignettes"):  
  – A written story of a financial advisor and a client (the "written narrative")  
  – A short video with the same content

• Here is an example of a video about the consequences of annuitization:

• [https://www.youtube.com/watch?v=-AbXiHpXewU](https://www.youtube.com/watch?v=-AbXiHpXewU)
Experimental Set-up

• We invited 800 respondents, aged 50-60, of the Understanding America Study (UAS)
• Respondents were randomly assigned to six treatments*
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<th>Control</th>
<th>Written Vignette</th>
<th>Video Vignette</th>
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<tbody>
<tr>
<td>Annuities</td>
<td>95</td>
<td>89</td>
<td>84</td>
</tr>
<tr>
<td>Social Security</td>
<td>88</td>
<td>87</td>
<td>98</td>
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*Situation on July 20; Currently about 600 respondents
The UAS is a probability-based Internet panel of about 6500 respondents

• Respondents are drawn from postal addresses and receive a tablet and broadband internet access if needed.
• Core information includes:
  – Cognitive tests/numeracy/financial literacy
  – Personality (big five)
  – Core HRS instrument (every two years)
  – “What do People Know about SSA programs?”
  – “How do people want to receive information about SSA programs?”
  – These waves are being combined in one easy to use dataset
  – Financial wellbeing (CFPB)
We tested the efficacy of the treatments in a number of ways

- Respondents were given two scenarios about the man from the video (or written narrative) (in random order) and asked to give advice how much annuity to purchase, or when to claim.
  - The “long-life” scenario described the man as being in relatively good health and expecting to live a longer life (to about age 85)
  - The “short-life” scenario described the man as being in relatively poor health and expecting to live a shorter life (to about age 70).
Effects of Variations in Life Expectancy

• Respondents with a better understanding are expected to recommend a later claiming age or larger annuity purchase amount in the long-life scenario than in the short-life scenario

Directionally Accurate Responses by Treatment
Effects of Variations in Life Expectancy

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**Directionally Accurate Responses by Treatment**

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<tbody>
<tr>
<td>Annuities</td>
<td>66.30%</td>
<td><strong>76.40%</strong></td>
<td>70.20%</td>
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<tr>
<td>Social Security</td>
<td>79.50%</td>
<td><strong>85.10%</strong></td>
<td>81.60%</td>
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(Differences are not statistically significant)
Effects on Knowledge

• Annuity Quiz (True or False):
  – An annuity is a financial product that pays a lump sum when you die.
  – An annuity is a financial product that is like insurance against outliving your money in your lifetime.
  – If you purchase an annuity, you can do so with just part and not all of your savings.
  – You can buy an annuity with your retirement savings.
• Social Security Claiming Quiz (True or False):
  – Claiming Social Security earlier, results in a lower monthly payment for a longer period.
  – Claiming Social Security later, results in a higher monthly payment for a shorter period.
  – You have to claim Social Security as soon as you stop working completely.
  – You can retire, live off of your retirement savings, and claim Social Security later.
Effects on Percent Correct
(Standard Deviations in Parentheses)
Effects on Percent Correct
(Standard Deviations in Parentheses)

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<tbody>
<tr>
<td>Annuities</td>
<td>81.80%</td>
<td>90.70%</td>
<td>86.30%</td>
</tr>
<tr>
<td></td>
<td>(20.12)</td>
<td>(18.61)</td>
<td>(27.55)</td>
</tr>
<tr>
<td>Social Security</td>
<td>78.10%</td>
<td>94.80%</td>
<td>92.60%</td>
</tr>
<tr>
<td></td>
<td>(26.75)</td>
<td>(14.34)</td>
<td>(20.99)</td>
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**Red bold:** statistically significant, P<.002
We also asked how respondents would like to receive communications

- Information by mail: 38.2%
- Reading an article online: 25.5%
- Watching a video online: 24.8%
Discussion

• Preliminary results suggest:
  
  • Written narrative more effective
  
  • Which is consistent with the preference by the largest group to receive communications by mail
  
  • A larger sample may sharpen these conclusions
Thank you!