Broad Framing in Retirement Income Decision Making
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Key Findings and Policy Implications

This experimental study tests the effect on retirement-related decisions of a custom-built informational tool that facilitates the joint evaluation of Social Security claiming, asset annuitization, and investment allocation and drawdown. Two experiments were conducted using the Amazon Mechanical Turk platform.

- The experimental design tested two conditions, each requiring people to make decisions about Social Security claiming, savings, and a deferred life annuity. Participants either saw income and wealth graphs that added values across the three financial products (the aggregated condition) or information specific to the financial products individually (the separate condition).

- In Experiment 1, participants using the aggregate version of the tool had significantly smoother consumption patterns than participants using the separate version of the tool. They also expressed greater confidence in their decisions. Those using the aggregate tool indicated interest in claiming Social Security benefits a year earlier than those in the separate condition and were 10 percentage points less likely to choose to annuitize part of their wealth. There was no significant difference in the savings decisions of each group.

- Experiment 2 largely replicated experiment 1 but added a display of wealth over time to all the decision screens in the separate frame condition. Unexpectedly, the differences in income smoothing, claiming, and annuitization found in experiment 1 did not hold under this alternative presentation. Instead, participants in the aggregated frame selected a higher level of investment risk in their savings decision. Whether the difference in findings is a result of the changes in the tool or simply experimental noise is an open question, and one we will examine further in continuing research.

Decisions about Social Security claiming, annuitization, and investment allocation and withdrawals have a major impact on financial security and wellbeing in later life. There are also substantial interactions among them, as they jointly determine people's financial circumstances as they age. While not a perfect solution, we hope that tools such as the one tested here provide opportunities for retirees to build retirement income solutions that best match their preferences.

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