

## **How do Behavioral Approaches to Increase Savings Compare? Evidence from Multiple Interventions in the U.S. Army**

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### **Key Findings and Policy Implications**

This paper examines the effects on retirement saving of various policy features, including informational emails, action steps, target contribution rates, active choice, and automatic enrollment. The study examines nearly two dozen experimental and quasi-experimental policy variations affecting members of the U.S. military between 2016 and 2018. It uses administrative data from the U.S. Army and U.S. Department of Defense, including military personnel data, DOD payroll data, and monthly Thrift Savings Plan contribution amounts. The paper finds that:

- Light-touch email interventions (such as information, action steps, and contribution rate targets) increase retirement plan participation by 0.5 to 0.8 percentage points, or an increase of between 9 and 13 percent.
- Programs that involve additional individual interactions and personal selections (such as active choice) increase contributions by 11 percentage points, or an increase of 100 percent. Automatic enrollment has much larger effects of 79 percentage points, or 1000 percent. We observe similar effect sizes and patterns when we analyze the effects on contribution rates and cumulative contributions.
- Light touch interventions are most effective for older individuals; active choice is most effective for whites and women; and automatic enrollment is most effective for young individuals, non-whites, men, non-married and those with no college education. However, none of these differentials supersede our primary finding – that automatic enrollment induces larger effects than any other program for all groups.
- Our cost benefit analysis concludes that active choice programs are the most cost-effective method to generate new program participation and contributions for small, medium, and large firms, while automatic enrollment is more cost-effective for very large firms.

A majority of Americans who are approaching retirement age have little to no money saved for retirement. The findings from this study add to a growing literature over two decades that highlights the importance of various “nudges” that are designed to increase saving, while retaining individual decision-making discretion.

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