

# Behavioral Interventions

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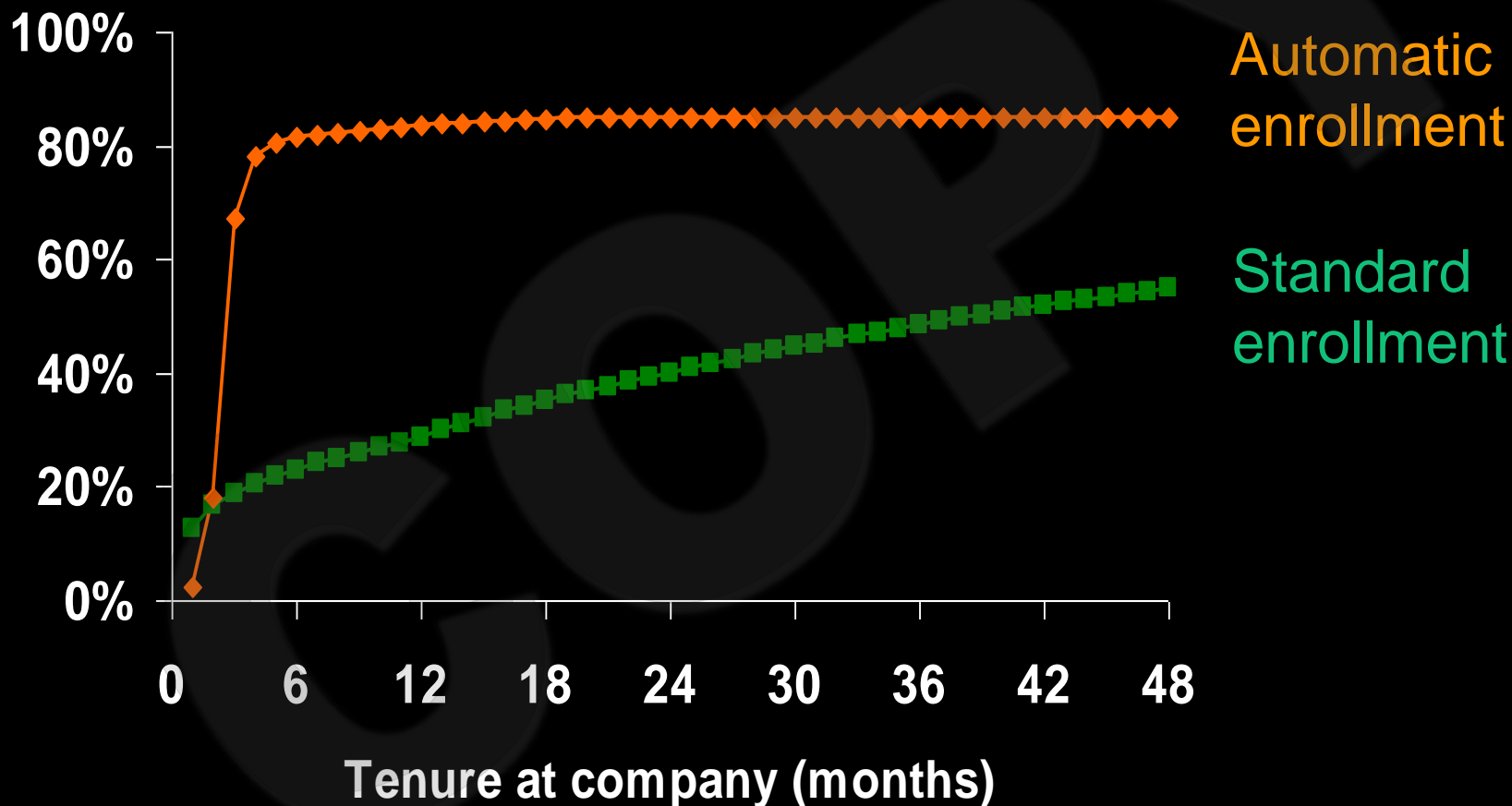
Harvard University and NBER

ESRC/NIA London 2008

Day 2

# Madrian and Shea (2001) Choi, Laibson, Madrian, Metrick (2004)

## 401(k) participation by tenure at firm



# Do people like a little paternalism?

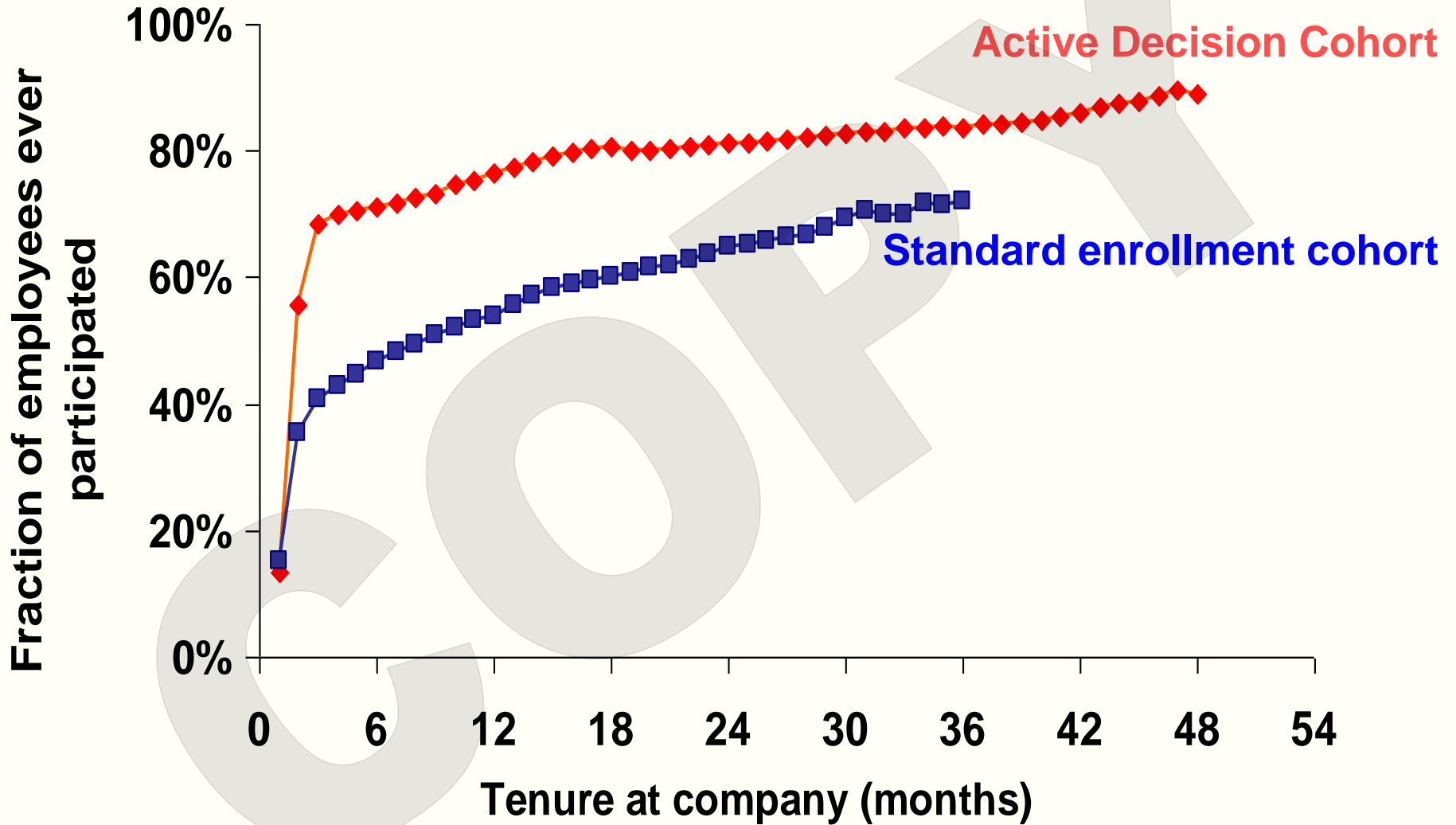
Survey given to workers who were subject to automatic enrollment:

“You are glad your company offers automatic enrollment.”

Agree? Disagree?

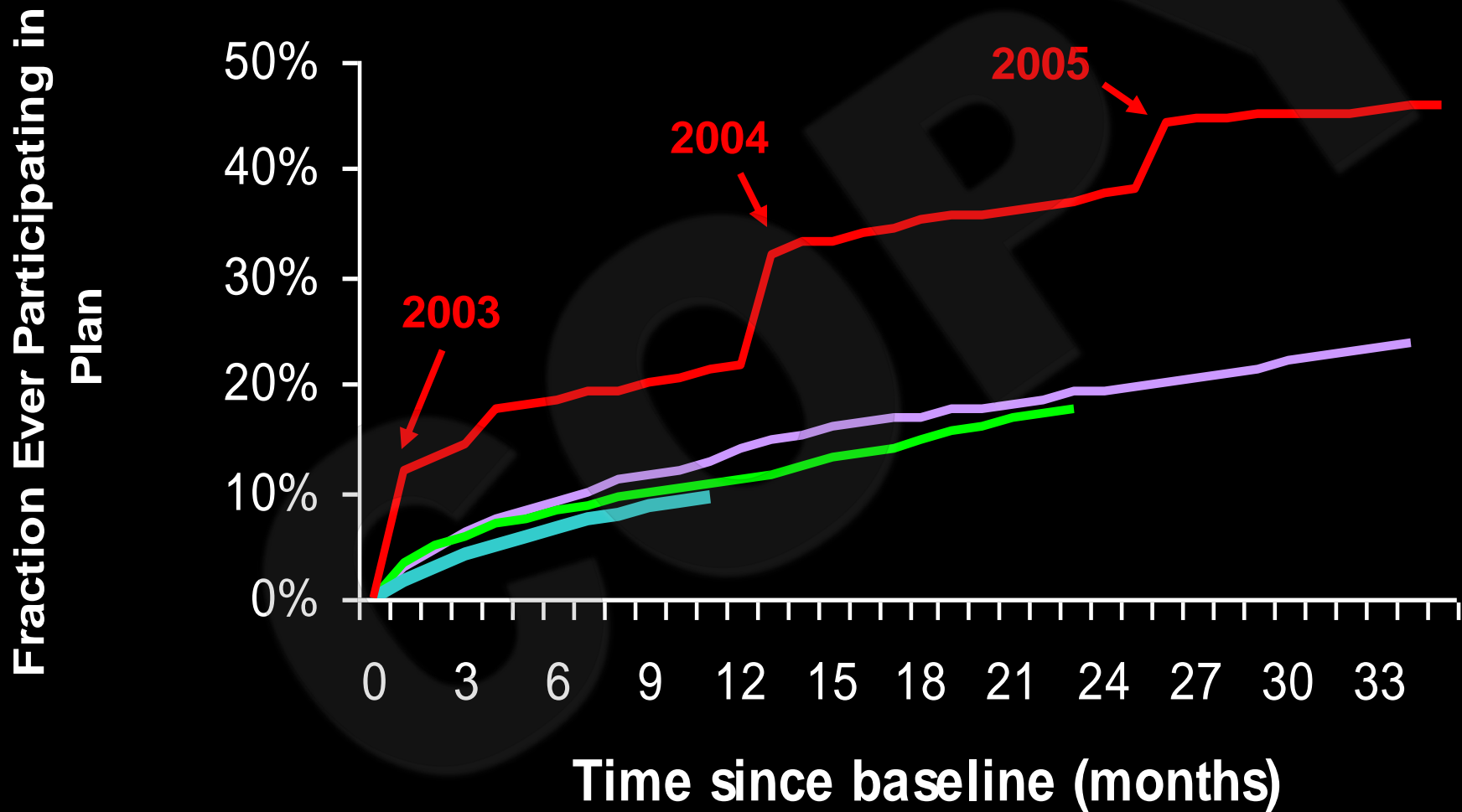
- Enrolled employees: 98% agree
- Non-enrolled employees: 79% agree
- All employees: 97% agree

# 401(k) participation by tenure



# Simplified enrollment raises participation

Beshears, Choi, Laibson, Madrian (2006)



# Summary

Scalable, cost-effective interventions:

- Defaults
- Deadlines
- Simplicity (make it easy)

Need interventions for older adults who are financially unsophisticated, experiencing cognitive decline and/or vulnerable to unscrupulous advisers.

- Default (partial) annuitization of DC balances
- Default decumulation schedule of non-annuitized assets
- Stronger fiduciary/regulatory protections
- Low-cost financial management services (fiduciary)
- Certification of advisers for older adults
- Certification of financial literacy for investors who wish to self-manage their retirement plan assets