ARTICLE REVIEW

‘How Can Questions Encourage Financial Planning? A Good Question’

BY ANN KRONROD

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Since the early 1980s, U.S. firms have shifted away from defined benefit (DB) programs in favor of defined contribution (DC) retirement plans. This move puts the onus of saving for retirement squarely on the laborer, and yet in the same time frame, household savings rates have decreased. The result is a generation of inadequately prepared retirees, and the problem does not seem to be abating despite the billions of dollars that have been poured into efforts to educate, nudge, and persuade people to plan ahead.

Part of the problem may be rooted in our natural tendency to pay more attention to present needs compared with those in the distant future. The human brain discounts the future, resulting in too little attention being paid to planning tasks that would support a stable retirement. To address this cognitive barrier to planning, Kronrod (2022) investigated a novel approach to inducing greater cognitive engagement with the idea of retirement.

The research builds on a foundation of previous work suggesting the following:

1. Questions produce more cognitive engagement than statements;
2. Greater cognitive effort makes the future feel closer, psychologically; and
3. When retirement feels closer, people will be more inclined to engage in planning and preparation.

The big idea put forth in this work is that by framing retirement-planning tasks in the form of questions, advisors may be able to increase the level of mental engagement, leading to more action on the part of otherwise disinterested people.

RESEARCH OVERVIEW

Based on a review of findings from psycholinguistics and cognitive psychology, the author posits a model of behavior wherein questions lead to cognitive engagement with the future (retirement), shrinking the psychological distance between the present and future self, and resulting in higher levels of financial-planning intentions and behaviors.

Using results from five experiments and one large text analysis, the author presents evidence that, when compared with statement-based messaging, framing retirement saving in the form of questions results in greater cognitive effort, a shorter perceived distance to retirement, and greater engagement and willingness to participate in pro-retirement behaviors. Results are summarized in table 1.

The research provides evidence supporting the idea that questions are superior to statements in motivating planning behavior, but practical concerns remain.

DISCUSSION

As an informed consumer of research, I very much appreciated the transparency and comprehensiveness of the reporting in this paper. For example, including Cohen’s d for comparing relative effect sizes, and providing the full wording of emails and interventions in appendixes, made it easy to answer some of the more immediate follow-up questions that are not addressed directly in the text.

Although the studies reported in this paper present several points of evidence supporting the idea that questions are superior to statements for the purpose of engaging people in financial-planning tasks, there are also a few points of caution to note.

First, statistical significance does not necessarily mean practical relevance. Study 1 is a good example of this. Although a 5X response rate is statistically enormous and deserves attention, most people in this study did not attend the lecture. Admittedly, email response rates are very low in general, and getting people to attend a physical lecture is a gargantuan task. Still, we need to be wary of rejoicing too soon. This study offers strong evidence that questions are superior to statements when messaging clients about retirement, but the hard truth remains that more than 99 percent of the people who received the message remained unengaged.

Second, I would caution against putting too much weight on the responses of twenty-somethings about hypothetical
Even the most effective message can only produce results when that message is capable of being received.

Pessimism aside, for advisors who want to improve the engagement of the people they can reach, the question that remains is: How will you use this knowledge to help your clients?

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ENDNOTE
1. See https://fred.stlouisfed.org/series/PsAVERT.

REFERENCE