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ARTICLE REVIEW

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

BY ANN KRONROD

Reviewed by Sarah Newcomb, PhD



INVESTMENTS & WEALTH INSTITUTE®

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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.¹ 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

Table
1

RESULTS OF RESEARCH ON FRAMING RETIREMENT SAVING IN THE FORM OF QUESTIONS

Study	Dependent Variable		
	Engagement (behavior or intentions)	Cognitive effort	Perceived distance to retirement
Text analysis of 100,000 tweets from 29 financial firms over two years	Tweets framed as questions had higher engagement than those that made statements.	NA	NA
Study 1: Email invitation to attend a retirement planning lecture	Those in the questions condition participated at a rate five times that of participants in the statement condition.	NA	NA
Study 2: In-person retirement savings task	Those in the questions condition dedicated a higher percentage of their hypothetical salary to retirement.	No self-perceived difference in cognitive effort.	Participants in the questions group reported feeling that retirement seemed closer than those in the statements condition.
Study 3: Online letter "from the bank" and written response	Those in the questions condition were significantly more likely to say they would make an appointment with the hypothetical bank.	Those in the questions condition used more words writing about their thoughts, indicating higher cognitive effort.	Participants in the questions group reported feeling that retirement seemed closer than those in the statements condition.
Study 4: Hypothetical notification "from the bank" and subsequent cognitive challenge	Those in the questions condition had stronger intentions to engage with a mock notification "from the bank."	Those in the questions condition performed worse on a cognitive task compared to a baseline—indicating that questions use up cognitive resources more than statements.	Participants in the questions group reported feeling that retirement seemed closer than those in the statements condition.
Study 5: Word-association task	Those in the questions condition were willing to put a higher percentage of hypothetical earnings into a retirement fund.	Those in the questions condition responded faster to a retirement word-identification task, suggesting that the topic of retirement was more front-of-mind after reading a retirement question than a statement.	Participants in the questions group reported feeling that retirement seemed closer than those in the statements condition.

retirement scenarios and convenience samples sourced from Facebook. These drawbacks do not negate the findings, but they should give pause. This research is most convincing in its support for the small, yet significant, effects of questions on actual behavior (study 1) and the perceived distance to retirement (studies 2-5).

From a psychology standpoint, I find it intriguing that questions appear to shrink the psychological distance between today and the future you are asking questions about. From a practitioner's standpoint, the results are encouraging because asking thought-provoking questions can be an easily adopted behavior for financial professionals everywhere. The weakness of this work is not so much the work itself but the fact that to experience this new framing, a person must already be somehow or somewhat engaged with the messaging to begin with.

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? ●

Sarah Newcomb, PhD, is a behavioral economist for Morningstar. Contact her at sarah.newcomb@morningstar.com.

ENDNOTE

1. See <https://fred.stlouisfed.org/series/PSAVERT>.

REFERENCE

Kronrod, A. 2022. How Can Questions Encourage Financial Planning? A Good Question (August 29). <https://ssrn.com/abstract=4203821>.



INVESTMENTS & WEALTH INSTITUTE®

5619 DTC Parkway, Suite 600
Greenwood Village, CO 80111
Phone: +1 303-770-3377
Fax: +1 303-770-1812
www.investmentsandwealth.org

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