

Save More Later? The Effect of the Option to Choose Delayed Savings Rate Increases on Retirement Wealth

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Key Findings and Policy Implications

This paper explores whether individuals may be more likely to increase their retirement saving, if they have the option to implement the increase at a later date. The results are based on a field experiment with a sample of 8,251 employees from four major U.S. universities. Participants in the study received mailings that invited them to begin saving more (a) now, (b) now or later, or (c) now or after a temporal landmark (e.g., after their next birthday, after New Year's). The paper finds that:

- Relative to employees who are offered a convenient mechanism for increasing their contribution rates immediately, employees who are offered a convenient mechanism for increasing their contribution rates immediately or at a delay are no more likely to agree to an increase. In fact, the latter group exhibits lower savings rates over the coming months, as the delayed option attracts some employees.
- However, when the delayed option is framed as being implemented after a psychologically meaningful moment, such as an employee's next birthday, the negative effect of offering a delayed option is undone.

Despite the suggestion from previous research that having the option to delay the implementation of a contribution rate increase leads to higher savings, our field experiment indicates that offering an option to delay leads to less retirement wealth accumulation. However, the evidence suggests that framing the delay in relationship to a meaningful future date, such as a birthday, increases savings relative to framing the delay in a neutral fashion.

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