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Behavioral design considerations for California Secure Choice program

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Outline

- Defaults
- Active choice enrollment
- Simplifying choice sets
Defaults are powerful

Defaults are not forever, but they are sticky

Source: Clark, Utkus, and Young, 2015. “Automatic enrollment: The power of the default” Vanguard Research. Note: Data from 55 401(k) plans shown in graph
High savings defaults do not cause high drop-outs

Fraction of employees who stop contributing

Source: Clark, Utkus, and Young, 2015. “Automatic enrollment: The power of the default” Vanguard Research. Note: Employees hired between 1/1/10 and 12/31/12, as of 6/30/13. 139,867 employees in total sample.
Defaults can be dynamic

Examples

• Automatically raise contribution rate by 1% of income each year unless you opt out

• If you’ve stopped contributing, automatically re-enroll you every January unless you opt out
Dynamic defaults are sticky too

Source: Clark, Utkus, and Young, 2015. “Automatic enrollment: The power of the default” Vanguard Research. Note: Data from 204 401(k) plans shown in graph
Automatic enrollment is popular

In national sample, fraction agreeing with, “You are glad your company offers automatic enrollment”

- 98% of those who were automatically enrolled and didn’t opt out
- 79% of those who opted out of automatic enrollment

Active choice enrollment

- Require employees to actively indicate “yes” or “no” to savings plan participation by deadline

- Deadline must be enforced
Active choice effect

Simplifying choice set

• One disadvantage of active choice is it places full choice burden on employee

• Highlighting certain options can make choice easier
Examples of simplifying

• Sign this form, and you will be enrolled contributing 5% of your income. Or write in a different percentage here: ____%

• Sign this form and pick a contribution rate
  – 3% of income
  – 5% of income
  – 7% of income
  – Another percentage: ____%