



Promoting research on retirement and Social Security policy

Research Brief 383 | SEPTEMBER 2018

Using Consequence Messaging to Improve Understanding of Social Security

Anya Samek, Arie Kapteyn, and Andre Gray *

Individuals are increasingly responsible for their own financial security after retirement, yet evidence shows that they have difficulty understanding complex aspects of retirement planning. A promising communication strategy is “consequence messaging.” The premise of consequence messaging is that while expected utility theory assumes that people make decisions taking all consequences into account, decisions are actually made without fully processing this information. A benefit of consequence messaging is that it describes the outcomes of multiple decisions under different states of the world. Hence, if individuals are asked to consider the consequences of an action, this should improve their understanding.

In this study, we contribute to the literature by developing and evaluating consequence message vignettes in two related areas where people have difficulty: valuing annuities and Social Security claiming decisions. In our vignettes, a 62-year-old man is talking to his financial advisor about his plans for retirement budgeting. The financial advisor encourages the man to consider the consequences of different decisions. In the valuing annuities vignette, the man is making a decision about whether to purchase an annuity. In the Social Security claiming vignette, the man is making a decision about when to claim his Social Security benefits. The vignettes do not constitute a “pure” consequence message since the financial advisor also describes the basic features of the decision (e.g., explaining the link between claiming age and level of Social Security benefits in the Social Security vignette).

To evaluate the vignettes, we conducted a small-scale, randomized controlled trial (RCT) in the Understanding America Study (UAS). The UAS is a nationally representative probability-based internet panel (N=6,000) housed at the University of Southern California. We recruited 659 participants ages 50 to 60 to participate in the study. We randomized participants in a 2x3 experimental design to either the Social Security or annuities

* *Anya Samek* is an associate research professor at the University of Southern California. *Arie Kapteyn* is an economics professor at the University of Southern California. *Andre Gray* is a project specialist at the University of Southern California. This research brief is based on MRRC Working Paper 2018-383.

scenario, and to either receive no vignette, a written vignette, or a video vignette. Participants were then asked a series of questions aimed at assessing their understanding of the concept about which they had just learned.

First, respondents were given two scenarios about the man from the video (in random order) and asked to give advice to the man about how much annuity to purchase or when to claim. Second, respondents received four True/False questions (in random order) about annuities or Social Security. Third, we asked respondents how much importance they placed on several concerns that people may have about retirement (in random order). The concerns were related to annuities or Social Security, depending on condition. Three of the concerns were related to consequences and two were not. The remaining questions asked about preferences for mode of receiving communication about annuities or Social Security, expectations about one's own claim or annuitization decisions, and (for those in the consequence treatments) feedback about the vignette.

We found that subjects randomized to either the written vignette or the video vignette treatment in both the annuities and the Social Security scenario were better at answering true/false questions about retirement financing. While the vignettes did seem to improve understanding of retirement financing, they had no significant effect on how respondents rated the importance of different concerns related to retirement, suggesting that the consequence messaging did not alter consequence-related beliefs.

Our results show that consequence messaging can improve program knowledge and decision-making in the contexts of valuing annuities and Social Security claiming decisions. This finding could be used to inform how SSA communicates complex concepts to the public. The written messaging treatment showed effects on understanding that were at least as large as of the video messaging treatment, and that respondents preferred mail communication. Our results also have broader relevance to policy, since consequence messaging could be used in other domains, including in health-related decisions such as choosing health insurance.

University of Michigan Retirement Research Center
Institute for Social Research 426 Thompson Street Room 3026
Ann Arbor, MI 48104-2321 Phone: (734) 615-0422 Fax: (734) 615-2180
mrrcumich@umich.edu www.mrrc.isr.umich.edu

Sponsor information: The research reported herein was performed pursuant to grant RRC08098401-10 from the U.S. Social Security Administration (SSA) through the Michigan Retirement Research Center (MRRC). The findings and conclusions expressed are solely those of the author(s) and do not represent the views of SSA, any agency of the federal government, or the MRRC.

Regents of the University of Michigan: Michael J. Behm, Grand Blanc; Mark J. Bernstein, Ann Arbor; Shauna Ryder Diggs, Grosse Pointe; Denise Ilitch, Bingham Farms; Andrea Fischer Newman, Ann Arbor; Andrew C. Richner, Grosse Pointe Park; Ron Weiser, Ann Arbor; Katherine E. White, Ann Arbor; Mark S. Schlissel, *ex officio*