

Running out of money linked to fear of death

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Roughly 52 percent of American households will not have enough retirement income to maintain their standard of living if they retire at 65.

The reason? People are afraid of thinking about their own death, according to findings in a new study published online in the *Journal of Consumer Psychology*. Fear of death tempts [people](#) to avoid making decisions about how to manage their savings during retirement.

Researchers from Boston College in Massachusetts decided to investigate why so few people choose to invest in annuities, a guaranteed steady stream of income during retirement. The public's lack of interest in annuities, known as the "annuity puzzle," has stumped researchers for decades.

The investigators explored a new solution to the annuity puzzle: What if people avoid this option because it evokes thoughts about mortality?

"People need to think about how long they expect to live in order to calculate the potential payout for an annuity," said Linda Salisbury, a Boston College marketing professor and co-author of the study. "Our goal was to understand how we can help people overcome their avoidance of annuity products."

The researchers presented two groups with a hypothetical scenario in which they were 65 years old and beginning retirement. One group was asked if they were interested in putting their savings into an Individual

Retirement Account (IRA), while the second group was asked if they were interested in an annuity. After giving their responses, the participants in both groups talked about the thoughts they were having. The researchers found that 40 percent in the annuity group had death-related thoughts, compared to only 1 percent in the IRA group.

The investigators further tested their theory by asking participants in one group to write an essay about their own death, such as how it would happen and the emotions involved. The second group wrote an essay about a time they experienced dental pain. Then the groups were presented with the scenario of being 65 and retiring. When asked if they wanted to put savings into an annuity, the group that had written about their own death was 50 percent less likely to choose an annuity.

Then the researchers also experimented with altering the wording in annuity brochures to see if they could influence decisions. One annuity brochure stated that the monthly payouts would be a certain amount "each year until they died" while the other said the payouts would be "each year they lived."

The change worked. More people opted for annuities when they read that the payouts would last "each year they lived."

"Our findings suggest there may be simple ways financial planners can reduce thoughts about death in these situations," Salisbury said. "There may also be strategies to help people cope with the anxiety that these thoughts might evoke."

Annuities are likely not the only decision retirees may be avoiding due to fear of [death](#), Salisbury said. The findings could also have implications for decisions about estate planning, wills and life insurance.

More information: [www.journals.elsevier.com/jour ... -mortality-](http://www.journals.elsevier.com/jour...-mortality-)

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Provided by Society for Consumer Psychology

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