

# New research suggests pensions advice websites create bias

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An advice website setup by the Government in the wake of pensions reforms could be exacerbating people's unconscious bias and influencing their financial decisions, according to experts at the University of

Stirling.

Dr. David Comerford, from the Behavioural Science Centre at the University of Stirling, supported by Jenny Robinson, has published new research looking at people's decision making around their pension wealth. In the UK, since 2015, people have had the choice of taking a cash lump sum instead of purchasing an annuity.

Dr. Comerford said: "Making the choice about how to decumulate the wealth in their pension pot is a complex decision for most people, which can have profound long-term consequences. In countries such as Australia and the U.S. where [pension](#) freedoms have been in place for longer, an interesting trend has developed.

"In those countries, people tend to cash out their pensions rather than choose an annuity which provides a guaranteed income for life and the associated security that brings. Economists have dubbed this the 'annuities puzzle' because there is no rational explanation for choosing greater risk and lower returns over a higher paying, sure thing."

To combat the 'annuities puzzle', the UK Government introduced the Pension Wise advice [website](#) to aid the public in their decision-making process. The Pension Wise website recommends that people consider 'how long their retirement will last' prior to making a choice and provides a life expectancy calculator for that purpose.

This latest research, involving more than 2,000 participants, has shown that the inclusion of a life expectancy calculator has the unintended consequence of driving more people to simply take the cash lump sum. This is linked to a recognised psychological approach called Terror Management Theory, which involves people's desire to insulate themselves from a deep fear of having led an insignificant life and inevitable death.

By encouraging people to calculate their likely life expectancy, the website is effectively asking people to face their own mortality. The study shows that people completing the life expectancy calculator are far more likely to choose the lump sum option as a result.

Dr. Comerford said: "The UK pensions market has undergone significant change in recent years, with the public now faced with a wider range of choice around a subject which is often perceived as difficult to understand and nor particularly interesting.

"While the Government's Pension Wise website seeks to provide information to assist people, the failure to adequately test the effects of the content and tools on the site, such as the life expectancy calculator, has created an unintended bias.

"Supported by our research findings, it is our recommendation that all such advisory sites and tools are adequately tested on an experimental basis before being fully launched to the public and, in the meantime, that the life expectancy calculator is removed from the Pension Wise website."

The implications are not just limited to the UK, with the US Social Security Administration website also currently offering a similar tool.

**More information:** Jenny Robinson et al. The Effect on Annuities Preference of Prompts to Consider Life Expectancy: Evidence from a UK Quota Sample, *Economica* (2019). [DOI: 10.1111/ecca.12326](https://doi.org/10.1111/ecca.12326)

Provided by University of Stirling

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