

THE BEHAVIOURAL FINANCE CHECKLIST FOR RETIREMENT INCOME STRATEGIES

	Behavioural Risk	Action Item	Research Reference
<input type="checkbox"/>	<u>Framing</u> People decide on options based on whether they are presented with positive or negative connotations; e.g. as a loss or as a gain.	To ensure adoption, frame up the retirement income strategy to reflect the regular income a retiree will receive.	Prof. Jeffrey Brown
<input type="checkbox"/>	<u>Vividness</u> People remember things that are vivid through a hard to forget visual.	Use modelling tools, mobile phone apps and role playing to bring hypothetical scenarios to life.	Prof. Daniel G. Goldstein
<input type="checkbox"/>	<u>Hyper Loss-Aversion</u> Losses loom larger than gains. The tendency to prefer avoiding losses to acquiring equivalent gains.	Utilise products and strategies that provide protection against capital losses rather than simply relying on investor behaviour.	Prof. Eric Johnson
<input type="checkbox"/>	<u>Cognitive Impairment</u> People experience a significant decrease in “analytic cognitive functioning” as they age and an increase in the occurrence of dementia.	Simplify options and front-load investment decisions as early as possible in the clients’ retirement journey.	Prof. David Laibson
<input type="checkbox"/>	<u>Tangible Mental Accounts</u> Describes the process whereby people code, categorise and evaluate budgeting and expenditure decisions.	Use ‘bucketing’ to help mentally differentiate between retirement goals.	Prof. George Loewenstein
<input type="checkbox"/>	<u>Inertia</u> The endurance of a stable state associated with inaction and the concept of status quo bias.	Review and be willing to adjust the income strategy to align with the given stage of retirement.	Prof. Brigitte Madrian
<input type="checkbox"/>	<u>Evaluability</u> The ease with which a product’s attributes can be evaluated and compared strongly influences decisions.	Utilise a retirement income framework to assist with client education and understanding.	Prof. John Payne
<input type="checkbox"/>	<u>Active Decision Making</u> The act of having to make a decision (as opposed to defaults) can impact behaviours.	Encourage retirees to make active choices.	Dr. Alessandro Previtore
<input type="checkbox"/>	<u>Money Illusion</u> People vastly underestimate the impact of inflation on their cost of living.	Apply inflation protection measures to the retirement income strategy.	Prof. Eldar Shafir
<input type="checkbox"/>	<u>Fairness</u> The attractiveness of a retirement income solution depends on its perceived fairness.	Highlight the benefit that the retiree receives over the product provider.	Prof. Suzanne Shu

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