

Pension transfer decision making

November 2023



Executive summary

Experiment design

Transferring pensions is a complex and risky decision, but one that people may make rapidly, focusing on near-term benefits over long-term value.

BIT ran an online lab experiment with 5,687 UK adults, testing the effect of incentives and referrals on people's intention to transfer their pension.

Participants were randomised into one of four arms (see below), all of which offered them an opportunity to transfer their pension from their current (hypothetical) defined contribution pension into a new pension scheme. In all four arms people would be worse off over a five-year period if they chose to transfer, since fees in the new pension were higher than their current fees, while returns remained the same.

Advert	Saw a simple offer inviting them to transfer their pension
Advert + cashback	Saw advert above with a £100 cashback offer
Referral	Saw a text message from a friend inviting them to transfer
Referral + cashback	Text message as above with a £100 cashback offer

Findings

Cashback incentives motivated people to transfer their pensions: people who saw a cashback incentive were almost 20% more likely to say they would transfer their pension regardless of whether this was through an advert or through a friend. 31% in cashback arms vs 26% in no cashback arms opted to transfer their pension.

There were no significant differences in stated likelihood to transfer between advert and text message referrals. While participants in the referral arms were slightly more likely to say that they would transfer their pension (29% compared to 27% in the advert arms), this was not statistically significant.

Very few people clicked on FAQs to learn more about the offer (22% across all arms), but those who did had a better understanding of the offer. People who saw the cashback incentive were less likely to click through to FAQs and were less likely to understand the offer. This suggests a **dominant feature effect**, where the cashback incentive may be exerting a disproportionate influence on people's understanding, and subsequently on their transfer decision. This could be **subverting the effectiveness of safeguards** such as providing them relevant information in an easy-to-understand format.

Over one-quarter of participants in the study said they would be likely to transfer their pension even without any incentive, simply based on seeing an offer to transfer. This suggests a degree of **fee insensitivity** in participants.

"It seems like a great scheme, good return for your money, good incentive for transferring to them."

"Free £100 paid quickly for switching my pension sounds good."

"Recommended by someone you know is always a good start."

"I would never take advice from friends regarding investments and pensions, unless they worked for an established financial institution for many years."

Free text responses from online trial participants, commenting on the ads.

Incentives may be swamping safeguarding measures

This study aimed to add to the evidence by examining how behavioural biases can feed into consumers' decision making even when faced with relatively simple financial decisions regarding their pensions. Our results indicate that small incentives motivate people to transfer their pensions even if this leaves them financially worse off in the medium to long term.

The trial was designed with relatively easy-to-compare fees and returns. In the scenario, people who transferred their pensions would be worse-off by around £1,000 if they chose to transfer. Yet, over one-quarter (26%) of participants said they were likely to transfer their pensions without any incentives mentioned. When a £100 cashback incentive was introduced, nearly one-third (31%) of participants said they would transfer their pensions.

The dominant feature effect of cashback incentives is particularly concerning, suggesting that these incentives can subvert the effectiveness of other safeguards, such as making the information available in a clear, consistent format.

While this is evidence from an online study asking people about their intentions in a hypothetical scenario, it is in line with insights from both the [industry and the financial regulator, that have seen evidence of the transfers of pensions](#) not always serving consumers well, with more people choosing to transfer their pensions, making very rapid decisions regarding their pensions, and failing to understand the risks or costs of doing so.

Our findings suggest a need for incentives to be advertised in conjunction with other easy-to-understand value-for-money metrics that are made as salient as the incentive, enabling consumers to make decisions that are in their best interest.

It would also be worthwhile examining whether the effect persists in all financial decision-making by conducting further research on decisions such as choosing between different insurance or banking products and services.

Conclusion

Background

Pensions are (seen as) complex

People often **lack confidence** in managing their finances effectively and pensions are widely seen as complex and hard to grasp.¹ Research by the Financial Conduct Authority (FCA) shows that 38% of the public lack clarity about pensions in general; 54% are uncertain about how to grow their pension savings and 24% make quick decisions on pension offers, focusing on immediate benefits over long-term value.²

Changes to the law have given people more freedom to manage their pensions, but they **do not necessarily understand the associated risks and responsibilities**.³ Fintech firm Origo says that over the past two years, it has seen a 39% increase in transfers of pension pots that were less than £30,000 (the maximum allowed before an individual must seek financial advice).⁴

¹ FCA (2021) [Guidance for firms on the fair treatment of vulnerable customers. Finalised guidance FG21/1](#)

² FCA (2019) [22 years of pension savings gone in 24 hours](#) and FCA (2022) [FCA research: A quarter of consumers would withdraw pension savings earlier to cover cost of living – making them vulnerable to scammer ‘misdirection’](#)

³ Skidmore, M. (2020) *Protecting people’s pensions: Understanding and preventing scams*. The Police Foundation.

⁴ [Simon \(2023\) Small pot pension transfers up by 40pc.](#)

Background

Transfer decisions may be subject to behavioural biases

Savers making changes to their pension, such as revising investments or switching provider, face complex and risky decisions. For some people transferring their pension may be the right choice, but others may be failing to consider all the relevant factors (including charges, whether the available investment options match their risk profile and the expected investment return) when deciding to transfer their pensions.

People's Partnership has noticed scheme members **increasingly transferring to a new pension provider based on single-feature ads**, such as cash back incentives or fee-free periods, and is concerned that these adverts may be **exploiting pension savers' behavioural biases**. These are the unconscious mental shortcuts that can influence our decision-making, sometimes leading to suboptimal choices. For example, present bias is the tendency to prioritise immediate rewards over delayed ones.¹

¹ O'Donoghue, T., & Rabin, M. (1999). *Doing it now or later*. *American Economic Review*, 89(1), 103-124.

Background

People exhibit 'fee insensitivity' when making financial decisions

Consumers may not always pay enough attention to fees, charges and other hidden costs when making financial decisions. This phenomenon is known as fee insensitivity, with multiple studies finding that customers demonstrate a lack of fee minimisation behaviour.^{1, 2}

Research suggests that this fee insensitivity occurs particularly amongst those with low financial literacy and is evidenced by the presence of avoidable fees in financial transactions.^{3, 4}

¹ Choi, J.J., Laibson, D., & Madrian, B.C. (2010). *Why Does the Law of One Price Fail? An Experiment on Index Mutual Funds*. *The review of financial studies*, 23 4, 1405-1432 .

² Choi, J.J., Laibson, D., Madrian, B.C., & Metrick, A. (2002). *Defined Contribution Pensions: Plan Rules, Participant Decisions, and the Path of Least Resistance*. *Research Papers in Economics*, 67-114.

³ Hastings, J.S., & Tejada-Ashton, L. (2008). *Financial Literacy, Information, and Demand Elasticity: Survey and Experimental Evidence from Mexico*. *Household Financial Planning eJournal*.

⁴ Jørring, A. (2017). *The Costs of Financial Mistakes : Evidence from U . S . Consumers **.

Background

New regulations prohibit adverts that exploit behavioural biases

The FCA's Consumer Duty regulations came into force on 31 July 2023.¹ These regulations **protect consumers from regulated firms, including pension providers, exploiting their behavioural biases** (Paragraph 1.9).

The regulations say that firms:

- Must not seek to exploit consumers' biases to create demand for a product or take advantage of consumers (paragraph 5.13).
- Should provide communications (including adverts) that enable consumers to understand the firms' products and services, their features and risks, and the implications of any decisions the consumer must make (paragraph 8.1).
- Should not design or deliver communications in a way that exploits consumers' information asymmetries and behavioural biases (paragraph 8.10).

Accordingly, if adverts for pension transfers are exploiting behavioural biases at the expense of good consumer outcomes, this could violate Consumer Duty regulations.

People's Partnership commissioned BIT to investigate whether **single-feature ads lead to suboptimal decisions being made by participants in an online trial**.

¹ FCA(2022). [Finalised Guidance - FG22/5 Final non-Handbook Guidance for firms on the Consumer Duty](#).

Review of single-feature pensions transfer advertisements

Our approach

We first undertook a light-touch review of pension transfer advertisements (details in [Appendix](#)) published online to identify features in these advertisements that may be exploiting behavioural biases.

Six commonly identified features are explored in more detail in the following slides:

- [Cash incentive](#)
- [Non-cash incentive](#)
- [Incentivised referral](#)
- [Scarcity](#)
- [Simplicity](#)
- [Social campaigns](#)

Review of pension transfer advertisement

Feature: Cash incentive

Adverts may offer cash incentives, such as £100 cashback or similar rewards (gift cards or reward points), to individuals who transfer their pensions.

This type of promotion may exploit people's **present bias**, the tendency to give stronger weight to the present than the future.¹ Tapping into this bias could influence people to overly focus on the immediate reward and neglect the full financial implications of moving their pension, which could leave them worse off in the medium- to long-term if their overall fees are higher after the transfer or if the return on the investment is lower.

¹ O'Donoghue, T., & Rabin, M. (1999). 'Doing it now or later'. *American Economic Review*, 89(1), 103-124.

² Ariely, D. et al. (2009) 'Large stakes and big mistakes', *The Review of Economic Studies*, 76(2), pp. 451-469.



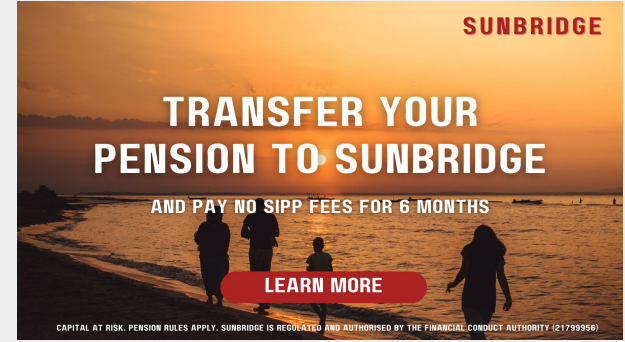
A stylised advertisement showcasing how cash incentives are promoted to consumers; generated by BIT

Review of pension transfer advertisement

Feature: Non-cash incentive

Adverts may offer other financial incentives, such as no fees (for a period), low fees (for a period), and rebated fees, to individuals who transfer their pensions.

Similar to cash incentives, non-cash incentives can exploit behavioural biases such as **present bias** by focusing consumer attention on the near-term reward and leading them to neglect other costs such as higher fees later on, or lower returns. These costs may result in outcomes that are worse for them in the medium- to long-run.



A stylised advertisement showcasing how cash incentives are promoted to consumers; generated by BIT

Review of pension transfer advertisement

Feature: Incentivised referral

Word-of-mouth referrals incentivise individuals to recommend that their friends/ family transfer their pensions. The referrer receives a reward for doing this, currently £100-£200 per successful referee. Depending on the offer, the referee may or may not also receive a reward. The number of referees may or may not be capped.

The feature relies on **social proof**, where individuals are inclined to follow the recommendations of friends and family due to the inherent trust placed in their opinions.¹ However, this could be problematic since:

- The referrer may not understand all the features of the pension they are recommending;
- The transfer may have been suitable for some individuals, including the referrer, but may not suit the referees financial circumstances;
- The referrer may be motivated by personal gain, such as earning the incentive, rather than the referee's best interests.

¹ Cialdini, R. B.(2007). *Influence: The psychology of persuasion*. New York: Collins.



A stylised advertisement showcasing how cash incentives are promoted to consumers; generated by BIT

Review of pension transfer advertisement

Feature: Scarcity

Adverts may frame offers as scarce either by emphasizing exclusivity or time limitations.

The use of **scarcity** tactics can lead individuals to perceive the opportunity as more valuable than it really is;¹ create a false sense of urgency (thereby reducing the individual's capacity to objectively and thoroughly evaluate the opportunity);² or trigger loss aversion (the tendency to feel losses more intensely than equivalent gains).³ This feature could become problematic if pension savers decide to proceed with a transfer out of fear of missing out, rather than through a careful consideration of the pros and cons.

¹ Worchel, S., Lee, J. and Adewole, A. (1975) *Effects of supply and demand on ratings of object value.*, *Journal of Personality and Social Psychology*, 32(5), p. 906.

² Petty, R.E. et al. (1986) *The elaboration likelihood model of persuasion.* Springer.

³ Kahneman, D. and Tversky, A. (1979) 'Prospect Theory: An Analysis of Decision under Risk', *Econometrica*, 47(2), pp. 263–291.



A stylised advertisement showcasing how cash incentives are promoted to consumers; generated by BIT

Review of pension transfer advertisement

Feature: Simplicity

Adverts may stress the **simplicity** of combining pension pots.

Given that pensions are seen as complex, this may exploit people's desire for making their financial affairs more 'manageable', say by having all their pensions in one place.

For some pension savers the decision to consolidate/ transfer might be rational, as the benefit making their financial affairs less complicated compensates for higher fees. However, this feature could become problematic if savers are influenced to solely prioritize simplicity in the present, without considering long-term financial and other implications.

¹ Harford, T. (2019) 'Richard Thaler: 'If you want people to do something, make it easy'', [Financial Times](#), 2 August.



A stylised advertisement showcasing how cash incentives are promoted to consumers; generated by BIT

Review of pension transfer advertisement

Feature: Social campaigns

By tapping into people's values, and personal causes, **social campaigns** may trigger strong emotions, inducing a 'hot' state ¹ or even just reducing cognitive dissonance ². These campaigns, such as ones on greening ones pension or highlighting gender pension inequality, can tempt people to try and align with their personal values and goals, even if this is economically sub-optimal. This could be problematic if people do not fully recognise the trade-offs they are making, such as increases in costs or lowering of expected returns.

¹ Loewenstein, G. (2005) 'Hot-cold empathy gaps and medical decision making', *Health Psychology*, 24, pp. S49–S56.

²Festinger, L. (1962) 'Cognitive Dissonance', *Scientific American*, 207(4), pp. 93-106



A stylised advertisement showcasing how cash incentives are promoted to consumers; generated by BIT

Online experiment: Methodology

Design of trial arms

Online experiment: Design of trial arms

Selection of features to test

Following the review of adverts, we shortlisted **cash incentives** and **referrals** for further testing in collaboration with People's Partnership.

We decided on these features (1) based on how common they appeared in our review of pension transfer ads and (2) because it allowed us to focus on purely economic factors.

For other features, such as simplicity or moving to a green pension, people may have good reasons for wanting to consolidate or move their pensions, but their benefit could be difficult to quantify. For example, consolidating a pension may save time which is (economically) valuable, but it is hard to capture how much this is worth to an individual.

We used a 2x2 design, with four arms, to allow for testing both features.

Research questions

- RQ1** What is the impact of an incentive (compared to no incentive) on the intention to transfer?
- RQ2** What is the impact of a persuasive friend (compared to an advert) on the intention to transfer?

Online experiment: Design of trial arms

Advertisement arms (1&2)

Participants were shown an advertisement for SunBridge, a hypothetical pension provider:

- Arm 1: no other motivation mentioned.
- Arm 2: participants are offered a cashback of £100.

They could click through “Learn More” to [find out details about the new pension scheme](#).

Further details regarding the design of the trial stimuli are outlined in the [Appendix](#).

Arm 1 - Advert base (no cashback)



Arm 2- Advert cashback (£100)



Online experiment: Design of trial arms

Text message arms (3&4)

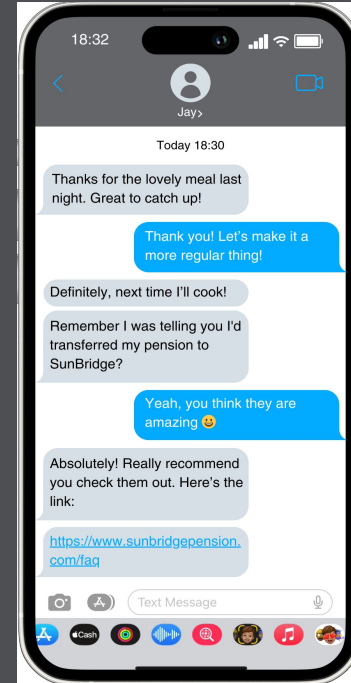
In the text message arms, participants are asked to imagine they get a text from their friend Jay suggesting that they look into transferring their pension.

- Arm 3: no other motivation mentioned.
- Arm 4: participants are offered a cashback of £100.

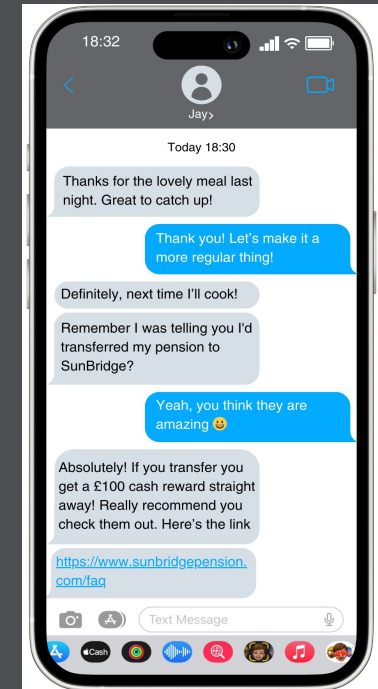
They could click through the link in the text message to [find out details about the new pension scheme](#).

Further details regarding the design of the trial stimuli are outlined in the [Appendix](#).

Text message base (no cashback)



Text message cashback (£100)



Online experiment: Design of trial arms

Comparison of trial arms

The scenarios were designed in a way that would make it relatively straightforward for participants in an experimental setting to compare them.

All scenarios assumed a starting pension pot size of £50,000. Whether individuals chose to transfer their pension or not, the money was invested in the same fund, meaning that the difference in fees and the cash incentive were the only factors participants needed to consider.

Even over a relatively short time horizon of 5 years participants would be worse off by around £1,000 if they chose to transfer.

	Transferring pension		
	No transfer	Cashback arms	Non cashback arms
Annual growth rate of pension	5%	5%	5%
Fees (as % of assets under management)	0.5%	0.925%	0.875%
Incentive	-	£100	-
Total fees over a 5 year period (incl of incentive)	£1,424	£2,535	£2,493

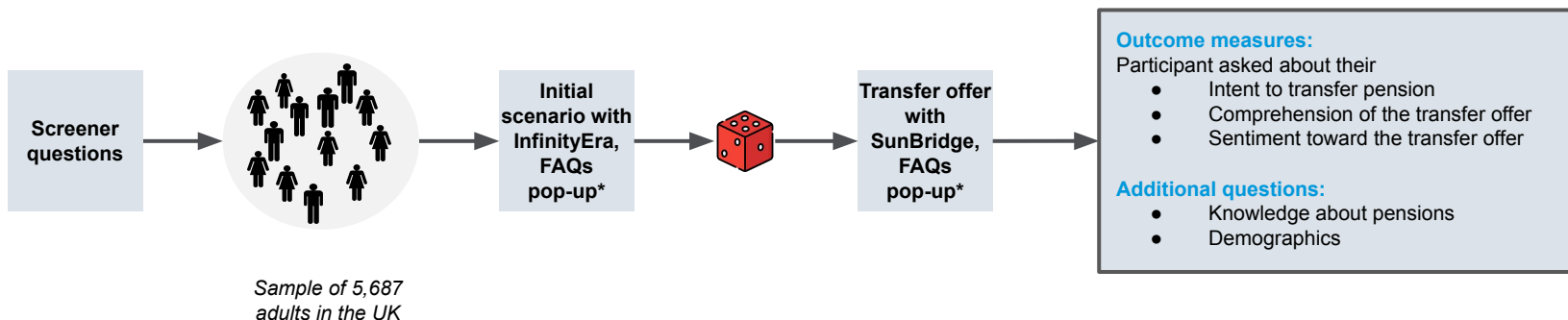
Arm	Description	Additional fees over 5 yrs, compared to not transferring
1 Advert	No other incentive offered. Annual management charge (AMC): 0.875%.	£1,068
2 Advert + cashback	Advert as above + £100 cashback offer. AMC: 0.925%	£1,110
3 Referral	Text message from a friend inviting them to transfer. AMC : 0.875%	£1,068
4 Referral + cashback	Text message as above + £100 cashback offer. AMC: 0.925%	£1,110

Experimental design

Online experiment: Methodology

Experiment flow

To investigate whether people are likely to transfer their pensions, we conducted an online experiment using our in-house Predictiv platform.



= Participant randomised to one of four trial arms

Advert arm n=1,366

Advert + cashback n=1,421

Referral n=1,448

Referral + cashback n=1,452

* pop-ups are available if people choose to click on the link in the advert or text message

Online experiment: Methodology

Experiment flow (1/2)

1. Participants were told to imagine that they are currently in a pension scheme managed by InfinityEra.
2. Participants could click through to the FAQs with details of the fund that they were currently invested in, expected return and the annual management charge.

Base scenario (all arms)

Imagine you are 55 years old and considering retirement in 5 years. You are doing alright for money and have a pension pot of £50,000 held by your current pension company **InfinityEra**. Click [here](#) for more details about **InfinityEra** (*opens as a pop-up on this page*).

FAQs pop-up base scenario (all arms)

InfinityEra - Frequently Asked Questions

Where is my pension invested?
100% of your funds are invested in the Nexus Global Equity Fund.

How much can I expect my fund to grow each year? Based on past performance the expected growth rate is 5% per year but this is not guaranteed.

What's the annual management fee? We charge 0.5% of the value of your pension pot each year.

Online experiment: Methodology

Experiment flow (2/2)

- Participants were shown one of the four trial arms, depending on the arm to which they were randomly assigned.
- If participants clicked through to the FAQs they would learn:
 - That their pension would remain invested in the same fund even if they transferred (and so have the same expected return).
 - The new annual management charge (AMC, higher in all cases compared to their current scheme).
- They were asked whether they would consider transferring their pension to SunBridge.

FAQs for no cashback arms (Arm 1 & 3)

SunBridge - Frequently Asked Questions

Where is my pension invested? 100% of your funds are invested in the Nexus Global Equity Fund.

How much can I expect my fund to grow each year? Based on past performance the expected growth rate is 5% per year but this is not guaranteed.

What's the annual management fee? We charge 0.875% of the value of your pension pot.

FAQs for cashback arms (Arm 2 & 4)

SunBridge - Frequently Asked Questions

Where is my pension invested? 100% of your funds are invested in the Nexus Global Equity Fund.

How much can I expect my fund to grow each year? Based on past performance the expected growth rate is 5% per year but this is not guaranteed.

What's the annual management fee? We charge 0.925% of the value of your pension pot.

Tell me about the cash reward? We will pay you £100 within 24 hours of receiving your pension transfer. Your pension must be worth at least £10,000 to qualify.

Online experiment: Methodology

We recruited a sample of 5,687 UK adults

We recruited a representative sample of 5,687 UK adults from September - November 2023. We targeted people aged 35-67 years old who had a defined contributions (DC) pension or did not know their pension type.

Further details regarding the sample demographics are outlined in the [Appendix](#).

Pension type		Region		Ethnicity	
DC pension	86%	South & East	33%	White	89%
Don't know	14%	North	24%	Asian	5%
Gender		Midlands	16%	Black	3%
Women	53%	Scot/NI/Wales	13%	Mixed / other	3%
Age*		London	14%		
Under 52	59%	Median time spent completing survey: 5m 14s			
Over 52	41%				

*Additional data collected: employment, income, education, urbanicity, previous pension transfers, previous pension withdrawals, and pension pot size. * <1% of our sample self-reported their age as below 35 or over 67 years old, indicating that they provided age data that did not match data provided by our recruitment panels.*

Design choices

Why run a randomised control trial (RCT)?

- RCTs establish a clear cause-and-effect relationship between features (here of the transfer offer) and their impact and are considered the gold standard for producing causal evidence.

Why run as an online lab experiment?

- Pension transfer offers are often presented as online advertisements, and so we were able to present the advertisements to participants in a way that imitated real life.
- Online lab experiments are relatively quick to conduct compared to field experiments. They also allow to test outcomes such as comprehension, which might explain impact on behavioural outcomes, such as transfer decisions.

Caveats when interpreting results:

- How people behave or what people say they will do in an online lab experiment might differ from what they will do in the real world. We therefore interpret stated intent as a likely upper bound of real behaviour.
- The sample doesn't capture the digitally excluded, or people not inclined to complete online surveys.
- Our sample size can impact our ability to draw robust inferences, especially across subgroups. Our sample size was chosen to provide adequate statistical power for our main outcomes of interest between treatment arms. When we examine differences by subgroups (e.g. gender, ethnicity), we only do so when the sample size remains large enough to draw robust inferences from.



Lab or field?



In lab experiments, participants are presented with information in an artificial and controlled environment and asked to make hypothetical choices.

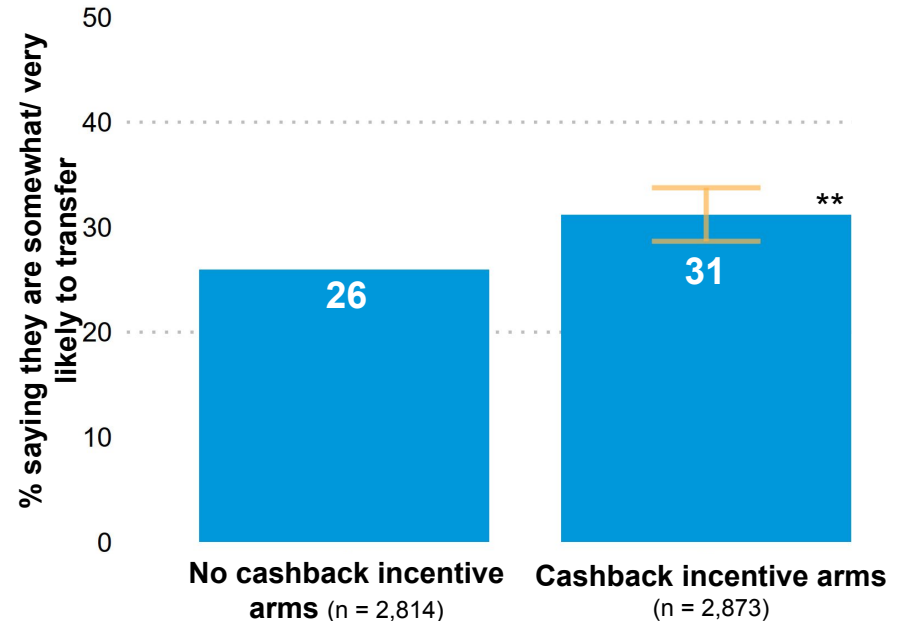
In a field experiment, participants make 'real' choices, for example about transferring their actual pension.

Online experiment: Findings

RQ1 : What is the impact of an incentive (compared to no incentive) on the intention to transfer?

People offered a cashback incentive were almost 20% more likely to say they would transfer their pension

- More people say they are likely to transfer their pension when offered a cashback incentive compared to those who are not offered a cashback incentive.
- This was statistically significant at the 1% level and was consistent within advert arms (25% vs. 30% respectively, $p < .05$) and within referral arms (27% vs. 31% respectively, $p < 0.01$).
- This implies that a significant proportion of participants made a decision that, in the real world, **would leave them worse off by almost £1,000** over a five-year period (including the £100 cashback upfront), compared to if they chose not to transfer.
- Additionally, 26% of the participants in the no cashback incentive arms (25% in advert arm and 27% in the referral arm) said they would transfer their pension without being offered any incentive, and just based on seeing the offer.

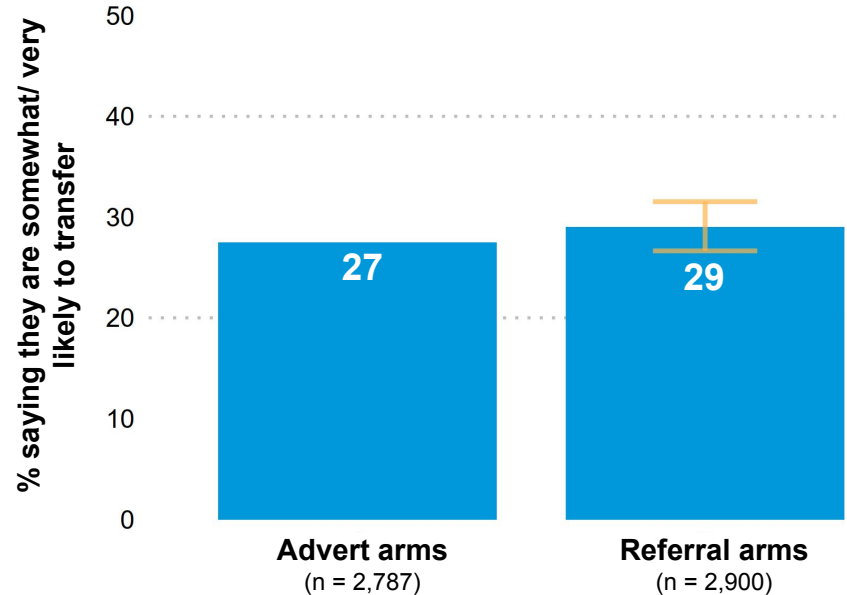


This analysis combined advert and referral arms, so no cashback incentive arms (arms 1 + 3) were compared against cashback incentive arms (arms 2 + 4). A statistically significant difference is denoted by ** $p < 0.01$ and * $p < 0.05$, controlling for referral medium, age, gender, income, employment status, and knowledge of pensions (correcting for multiple comparisons using the Benjamini-Hochberg procedure).

RQ2 : What is the impact of a persuasive friend (compared to an advert) on the intention to transfer?

The channel of promotion did not impact the likelihood to transfer

- While a slightly larger proportion of participants in the referral arms said they are likely to transfer their pension (29% compared to 27% in the advert arms), this difference was not statistically significant ($p > .1$).
- This null result was consistent within no cashback incentive arms (27% in the referral arm compared to 25% in the advert arm; $p > .1$) and within cashback incentive arms (31% in the referral arm compared to 30% in the advert arm; $p > .1$).
- This suggests that the **mode in which an offer is communicated does not have an impact on the likelihood of transfer.**
- Some further suggestions on how to interpret this result are outlined in the [Appendix](#).



This analysis combined no cashback incentive and cashback incentive arms, so advert arms (arms 1 + 2) were compared against referral arms (arms 3 + 4). No statistically significant difference ($p > .10$), controlling for cashback incentive, age, gender, income, employment status, and knowledge of pensions (correcting for multiple comparisons using the Benjamini-Hochberg procedure).

Reasons provided by those who said they would transfer their pension (1,064 responses)*

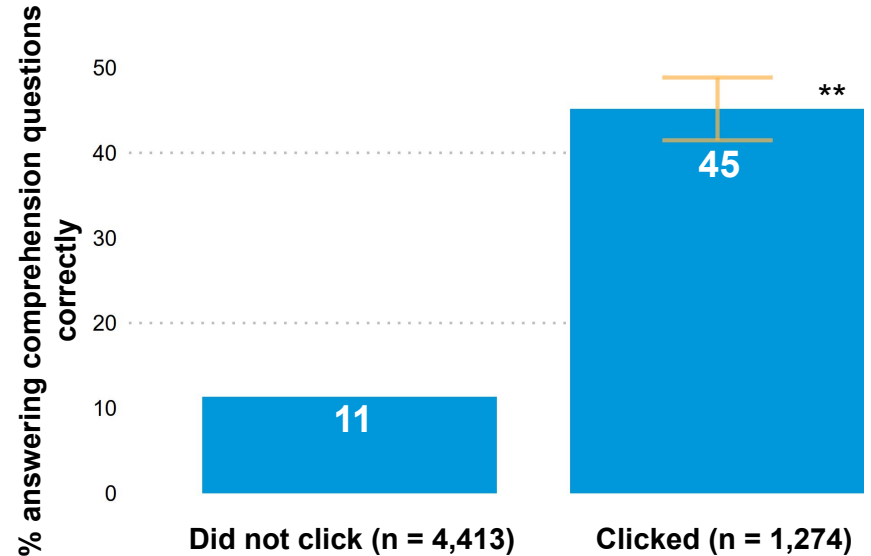
Reasons for transferring were the incentive, simplicity of a consolidated pension, trust in recommendation, and perceived financial gains.

In cashback arms...	In referral arms...	Across all arms...	
...incentive	...trust in friend's recommendation	...consolidation and simplifying management of pensions	...perceived financial gains
<i>It seems like a great scheme, good return for your money, good incentive for transferring to them.</i>	<i>Recommended by someone you know is always a good start</i>	<i>I like to keep it in one place</i>	<i>They are offering more money</i>
<i>Free £100 paid quickly for switching my pension sounds good.</i>	<i>They've clearly made a good impression with my friend</i>	<i>It helps to simplify retirement planning by consolidating funds</i>	<i>The 5% annual increase is inviting</i>
		<i>To combine multiple pension into one for easier management</i>	<i>In order to make my pension bigger, want to make more money, in a safe situation</i>

*Participants who said they were likely to transfer their pension were asked: "Why are you likely to transfer your pension?". Free text responses were analysed by a researcher who read all responses and then categorised recurring responses into high level themes, highlighting illustrative quotations.

People who clicked on the FAQs pop-ups were over 4x more likely to understand the transfer offer

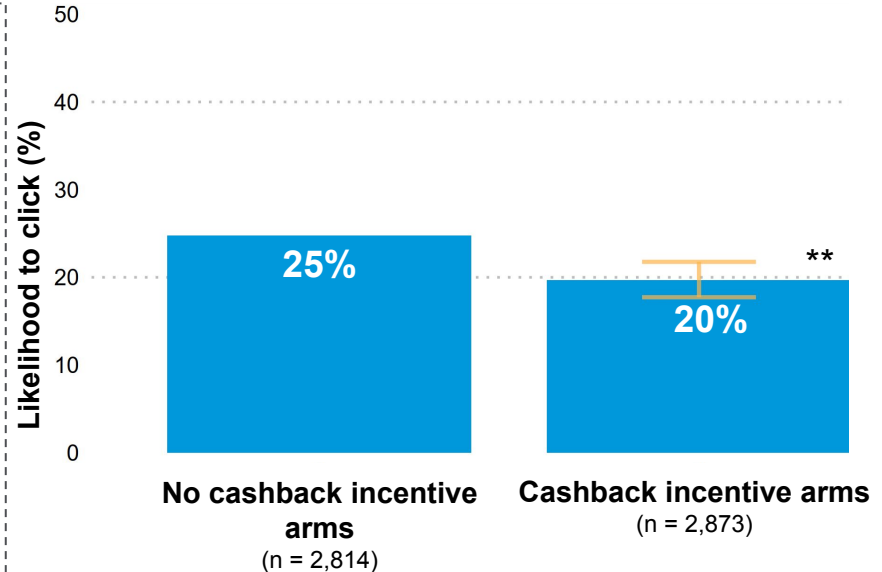
- Participants were asked three comprehension questions to evaluate how well they understood the current pension offer as well as the new offer.
- Across arms, participants were **more likely to answer all three questions correctly if they clicked on both the InfinityEra and SunBridge FAQs pop-ups** compared to participants who did not (45% vs. 11% respectively, $p < .01$). This pattern of results was consistent when separated by each comprehension question (questions and full numbers in [Appendix](#)).
- This could mean that the information provided improved comprehension of the transfer offer. However, this association is correlational not causal and **selection bias** might explain some or all of the difference: people who were motivated to learn more about the pension offer may be more financially literate in general.



A statistically significant difference is denoted by ** $p < 0.01$ and * $p < 0.05$, controlling for age, gender, income, employment status, and knowledge of pensions.

Participants in the cashback incentives arms were significantly less likely to click the FAQs pop-ups

- People were less likely to click on the FAQs pop-ups when offered a cashback incentive, compared to when they're not offered a cashback incentive (20% vs 25%, $p < .01$). This pattern of results was consistent within advert arms (20% vs. 26%, $p < .01$) and referral arms (20% vs. 24%, $p < .01$).
- People in the cashback arms were also less likely to understand the transfer offer correctly, as measured through the comprehension questions (21% in the no cashback arms answered all 3 comprehension questions correctly vs. 18% in the cashback arms, $p < .05$).
- This suggests a **dominant feature effect** where the **cashback incentive may be exerting a disproportionate influence** on people's decisions to transfer. The concern is that this behavioural bias may subvert the effectiveness of safeguards such as providing consumers with the relevant information in an easy-to-understand format.



No cashback incentive arms (arms 1 + 3) were compared for FAQs pop-up clicks against cashback incentive arms (arms 2 + 4). A statistically significant difference is denoted by ** $p < 0.01$ and * $p < 0.05$, controlling for referral medium, age, gender, income, employment status, and knowledge of pensions. There was no statistically significant difference ($p > .10$) between the combined advert arms (arms 1 & 2; 23%) vs. referral arms (arms 3 & 4; 22%) for FAQs pop-up clicks (full numbers in [Appendix](#)).

What people said they would do before making their decision? (5,379 responses)*

People say they would talk about transfers with a financial expert, friends or family, do online research, or (in the referral arms) talk to the sender

Reassuringly, participants outlined a range of actions they would take, implying more caution when making a transfer decision 'in the real world'. However, given that [nearly one quarter of pension savers say they would take less than 24 hours to make a transfer decision](#), these actions alone may not eliminate the impact these ads can have.

Across all arms...

...seek further financial advice from an expert

I would speak to a financial advisor before making a final decision

Discuss with an expert

Talk to my independent pension advisor

...talk to family or friends

Discuss with my partner

Ask friends and family if they have heard of them or used them

I would read through again with my wife to make sure it was right for us

...do online research on the company

I would have a look at reviews of their product online

Look at money management and investment sites and customer reviews

In referral arms...

...talk to the sender of the text message

I would contact the sender of the link to ask for more information

Ask my friend why they thought they were so good

*Participants were asked: "Is there anything else you would do before making your decision?". Free text responses were analysed by a researcher who read all responses and then categorised recurring responses into high level themes, highlighting illustrative quotations.

People were wary of the limited information, following links in text messages, and some said they wouldn't trust a friend for financial advice

Those who saw the advert...

...highlighted the lack of information in the advert

The image of a sunset is appealing but there needs to be more detail on the page about % growth and management fees

Very limited information on what is a very big decision

...some thought the advert looked like a scam

Looks more like a scam to me and i would not trust it at all

Those who saw the text message...

...some said they would not follow financial advice from a friend

I would never take advice from friends regarding investments and pensions, unless they worked for an established financial institution for many years

Don't take financial advice from friends

...would be cautious of links in text messages

Links in text messages about transferring pensions are generally untrustworthy

I would be highly suspicious of this and I wouldn't even click on the link for a start

Would not usually click on a link on a phone

*Participants were asked: "Do you have any other feedback about the advert/text message conversation?". Free text responses were analysed by a researcher who read all responses and then categorised recurring responses into high level themes, highlighting illustrative quotations.



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Appendix

Approach to identify relevant ad features

We undertook a light-touch review of pension transfer advertisements published online between 1 January 2019 and 21 June 2023 to identify features in these advertisements that may be exploiting behavioural biases.

Step 1: Identifying pension providers

- We conducted an online search of pension providers promoting pension transfers using the search term "pension transfer" on the Google search engine in incognito mode on 21 June 2023.
- We extracted the results relating to pension providers appearing on the first two search engine results pages.

Step 2: Sourcing adverts

- When the result was:
 - a "Sponsored Link" (i.e. a Google advert), we took a screenshot of the promotion.
 - an organic (unpaid) link, we searched for a recent promotion from the provider in the Meta Ads Library and took screenshots.
- If no adverts were found, we followed the Google link and took a screenshot of the first screen of the destination webpage.

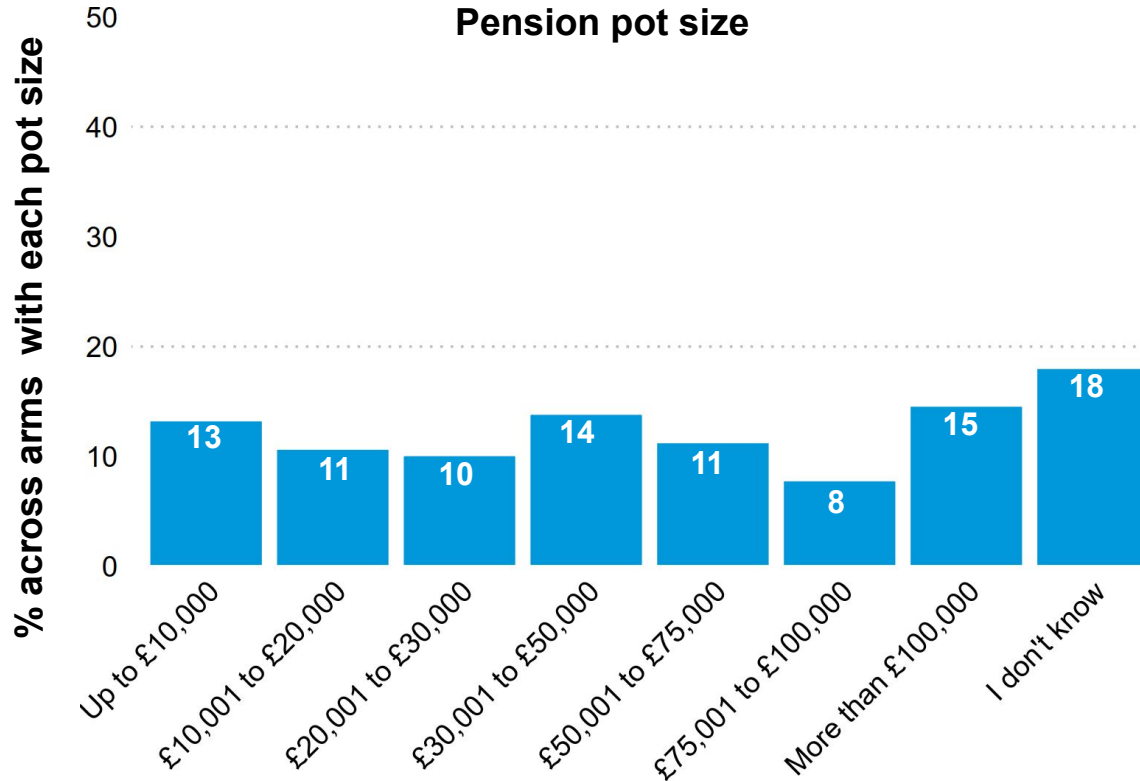
Step 3: Reviewing adverts

- Two researchers independently reviewed the adverts noting potential behaviourally informed features.
- A senior researcher reviewed the analysis.

Trial stimuli considerations

- We opted for plain names for the original pension provider (InfinityEra) and the promoted one (Sunbridge) to ensure that their brands did not unduly influence individuals toward or away from transferring, avoiding any implication of greater security or performance.
- In cases where participants choose to transfer their pension, they were told that the assets would be invested in the same fund. Therefore, factors like fund selection and performance should not have been considerations when making this decision.
- Consistent with standard pension provider adverts:
 - The information in our advert was minimal, and the referral text conversation mirrored this;
 - Participants could access more details about InfinityEra and Sunbridge, but needed to click a hyperlink or virtual button to view FAQs, simulating the need for consumers to search for information. Trial participants were not obliged to do this to respond to the survey questions.

Additional sample demographics



12% said they had previously made a pension withdrawal (28% of those aged 55 and over¹; 5% of those aged below 55);

24% said they had previously made a pension transfer (26% of those aged 55 and over; 22% of those aged below 55).

¹ DC pension holders have to be 55 years and above to be able to make withdrawals without penalties.

RQ2: There may be other explanations for the null result

There are a number of explanations for the finding that the channel through which the message was delivered (advert vs message from a friend) did not impact on the propensity of people to transfer their pension:

- It may have been harder for participants to imagine how they would respond to a text message in a hypothetical situation compared to how they would act when receiving the message in reality.
- Participants in the experiment reported finding the text message arms to be less trustworthy in the experiment, which may have dampened their likelihood of following its advice and could be different if it was sent by an actual friend/ family member.
- The overall finding could be driven by an underlying segmentation; for example, if there is a group of people who listen to friends and family (and for which we would thus see an effect) and another group who do not take advice on financial matters from friends and family (for which we wouldn't see an effect).
- It could also indicate that various campaigns and interventions targeted at preventing pension and other scams have worked, and people are sceptical of taking action based on messages they receive via text.
- If the actual effect is small, our sample size may mean that the statistical power was not sufficient to detect it; given the directionality of the result we might find it is statistically significant in a larger sample.

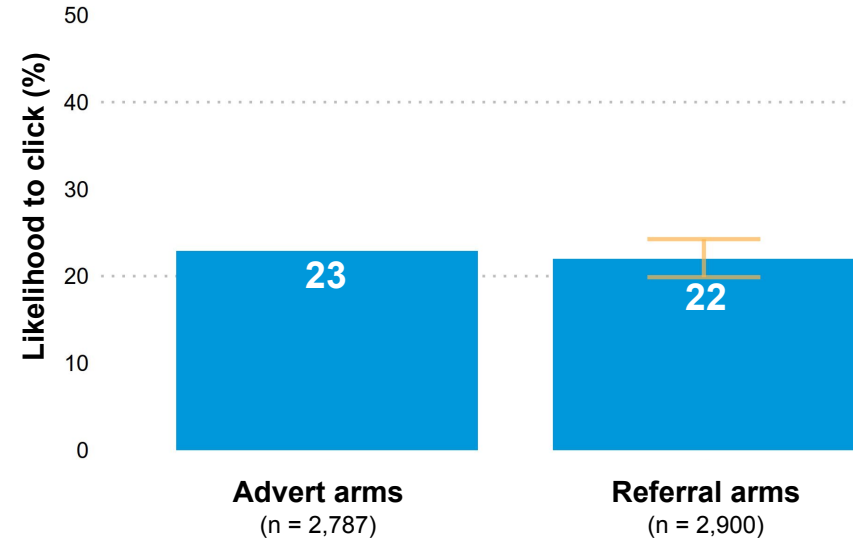
People who clicked on the FAQs pop-ups were more likely to understand the transfer offer (separated by question)

% who correctly understood that...	Did not click (n = 4,413)	Clicked (n = 1,274)
...the expected growth in the Nexus Global Equality fund is 5% each year	63%	94%
...if they transfer their pension, their annual management charges will be higher than if they had stayed with InfinityEra	40%	83%
...their pension pot will be smaller five years after the transfer compared to if they hadn't transferred	22%	53%

Green shading denotes a statistically significant higher value from the people who did not click on both FAQs pop-ups $p < 0.05$, controlling for, age, gender, income, employment status, and knowledge of pensions.

The channel of promotion did not impact the likelihood of people clicking on the FAQs pop-ups

- There was no statistically significant difference for clicking on the FAQs pop-ups between those who viewed the advert (23%) vs. those who were referred by a friend (22%; $p > .1$). This pattern of results was consistent within no cashback arms (26% vs. 24%; $p > .1$) and cashback (20% vs. 20%; $p > .1$).
- This implies that a potential dominant feature effect caused by the incentives did not carry over to the channel of promotion.



There was no significant difference between advert arms (arms 1 + 2) vs. referral arms (arms 3 + 4) for FAQs pop-up clicks ($p > .10$), controlling for cashback incentive, age, gender, income, employment status, and knowledge of pensions.

People in the cashback arms were less likely to understand the transfer offer when compared to those in arms without an incentive...

% who correctly understood that...	No cashback incentive arms (n = 2,814)	Cashback incentive arms (n = 2,873)
...the expected growth in the Nexus Global Equality fund is 5% each year	71%	69%
...if they transfer their pension, their annual management charges will be higher than if they had stayed with InfinityEra	51%	48%
...their pension pot will be smaller five years after the transfer compared to if they hadn't transferred	31%	27%

Across advert and referral arms, people in the cashback incentive arms were statistically significantly less likely to understand the transfer offer than people in the no cashback incentive arms. This pattern of results was generally consistent when analysing [within advert and referral arms](#).

No cashback incentive arms (arms 1 + 3) vs. cashback incentive arms (arms 2 + 4) for comprehension scores. Red shading denotes a statistically significant lower value from the no cashback incentives arms $p < 0.05$, controlling for referral medium, age, gender, income, employment status, and knowledge of pensions.

Appendix: Online experiment

...and this was consistent for both the advert and text arms

% in advert arms who correctly understood that...	No cashback (n = 1,366)	Cashback (n = 1,421)
...the expected growth in the Nexus Global Equality fund is 5% each year	72%	69%
...if they transfer their pension, their annual management charges will be higher than if they had stayed with InfinityEra	54%	49%
...their pension pot will be smaller five years after the transfer compared to if they hadn't transferred	32%	27%
% in referral arms who correctly understood that...	No cashback (n = 1,448)	Cashback (n = 1,452)
...the expected growth in the Nexus Global Equality fund is 5% each year	71%	68%
...if they transfer their pension, their annual management charges will be higher than if they had stayed with InfinityEra	48%	47%
...their pension pot will be smaller five years after the transfer compared to if they hadn't transferred	31%	27%

Red shading denotes a statistically significant lower value from the no cashback incentives arm $p < 0.05$, controlling for age, gender, income, employment status, and knowledge of pensions.

Appendix: Online experiment

There was no impact of channel of promotion on comprehension...

% who correctly understood that...	Advert arms (n = 2,787)	Referral arms (n = 2,900)
...the expected growth in the Nexus Global Equality fund is 5% each year	71%	70%
...if they transfer their pension, their annual management charges will be higher than if they had stayed with InfinityEra	51%	48%
...their pension pot will be smaller five years after the transfer compared to if they hadn't transferred	29%	29%

Across no cashback and cash back arms, there were no statistically significant differences for comprehension scores between advert and referral arms. This pattern of results was generally consistent when analysing [within no cashback and cashback arms](#).

Advert arms (arms 1 + 2) vs. referral arms (arms + 4) for comprehension scores. No significant differences, $p < 0.05$, controlling for cashback incentives, age, gender, income, employment status, and knowledge of pensions.

...and this pattern of results was consistent when analysing within the arms as well

	Advert (n = 1,366)	Referral (n = 1,448)
% in no cashback arms who correctly understood that...		
...the expected growth in the Nexus Global Equality fund is 5% each year	72%	71%
...if they transfer their pension, their annual management charges will be higher than if they had stayed with InfinityEra	54%	48%
...their pension pot will be smaller five years after the transfer compared to if they hadn't transferred	32%	31%
% in cashback arms who correctly understood that...		
...the expected growth in the Nexus Global Equality fund is 5% each year	69%	68%
...if they transfer their pension, their annual management charges will be higher than if they had stayed with InfinityEra	49%	47%
...their pension pot will be smaller five years after the transfer compared to if they hadn't transferred	27%	27%

Red shading denotes a statistically significant lower value from the advert arm $p < 0.05$, controlling for age, gender, income, employment status, and knowledge of pensions.

There was no main effect of incentive type on people's sentiment towards the offer...

% who think the advert or text message conversation is...	No cashback incentive arms (n = 2,814)	Cashback incentive arms (n = 2,873)
is easy to understand	50%	50%
is trustworthy	36%	35%
tells them everything they need to know about switching their pension	30%	31%
gave an attractive offer	22%	23%
had the right amount of information	32%	32%

Across advert and referral arms, there were no statistically significant differences between no cashback and cashback arms for people's sentiment towards the transfer offer. This pattern of results was generally consistent when analysing [within advert arms](#) and within [referral arms](#).

No significant differences, $p < 0.05$, controlling for referral medium, age, gender, income, employment status, and knowledge of pensions.

...and this pattern of results was consistent when analysing within the arms as well

% in advert arms who think the transfer offer...	No cashback (n = 1,366)	Cashback (n = 1,421)
is easy to understand	50%	48%
is trustworthy	39%	38%
tells them everything they need to know about switching their pension	33%	34%
gave an attractive offer	22%	23%
had the right amount of information	32%	35%

Red shading denotes a statistically significant lower value from the no cashback incentives arm $p < 0.05$, controlling for age, gender, income, employment status, and knowledge of pensions.

Appendix: Online experiment

...and this pattern of results was consistent when analysing within the arms as well (cont.)

% in referral arms who think the transfer offer...	No cashback (n = 1,448)	Cashback (n = 1,452)
is easy to understand	50%	52%
is trustworthy	32%	31%
tells them everything they need to know about switching their pension	28%	27%
gave an attractive offer	21%	22%
had the right amount of information	31%	29%

Red shading denotes a statistically significant lower value from the no cashback incentives arm $p < 0.05$, controlling for age, gender, income, employment status, and knowledge of pensions.

People in the referral arms were less likely to find the offer trustworthy or informative...

% who think the advert or text message conversation is...	Advert arms (n = 2,787)	Referral arms (n = 2,900)
is easy to understand	49%	51%
is trustworthy	39%	32%
tells them everything they need to know about switching their pension	34%	28%
gave an attractive offer	22%	22%
had the right amount of information	34%	30%

Across no cashback and cashback arms, people in the referral arms were statistically significantly less likely to think that the offer was trustworthy or informative. The significant difference of whether people thought the referral or advert had the right amount of information was largely driven by the [cashback arm](#) and not the [no cashback arm](#).

Appendix: Online experiment

...and this pattern of results was consistent when analysing within the arms as well

% in no cashback arms who think the transfer offer...	Advert (n = 1,366)	Referral (n = 1,448)
is easy to understand	50%	50%
is trustworthy	39%	32%
tells them everything they need to know about switching their pension	33%	28%
gave an attractive offer	22%	21%
had the right amount of information	32%	31%

Red shading denotes a statistically significant lower value from the advert arm $p < 0.05$, controlling for age, gender, income, employment status, and knowledge of pensions.

Appendix: Online experiment

...and this pattern of results was consistent when analysing within the arms as well (cont.)

% in cashback arms who think the transfer offer...	Advert (n = 1,421)	Referral (n = 1,452)
is easy to understand	48%	52%
is trustworthy	38%	31%
tells them everything they need to know about switching their pension	34%	27%
gave an attractive offer	23%	22%
had the right amount of information	35%	29%

Red shading denotes a statistically significant lower value from the advert arm $p < 0.05$, controlling for age, gender, income, employment status, and knowledge of pensions.