

Contingent Nudges: Influencing Decisions to Save and How Much to Save

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RESEARCH QUESTION

Does anchoring impact the both the decision to save and how much to save?

BACKGROUND

39% of consumers do not have \$400 to cover an emergency expense (Federal Reserve Board, 2019)

Saving anchors have been viewed as an effective nudge in increasing savings behavior, especially in a retirement context (Kusko, Poterba, & Wilcox, 1994)

Yet, research has not evaluated anchoring's impact on both the likelihood of saving and the average savings rate

CONCLUSION

Consumer saving involves two key decisions: (1) whether to save, and if so, (2) how much to save

These two decisions are conceptually distinct and are differentially influenced

Anchoring does not impact consumers' primary decision to save

However, conditional on saving, anchoring impacts consumers' decision regarding how much to save

Changing the savings scale from increasing to decreasing can impact the likelihood of saving

Questions or Comments? Email Wendy at wendyde@stanford.edu.
Error bars represent 95% Confidence Intervals
* $p < .05$, ** $p < .01$, *** $p < .001$

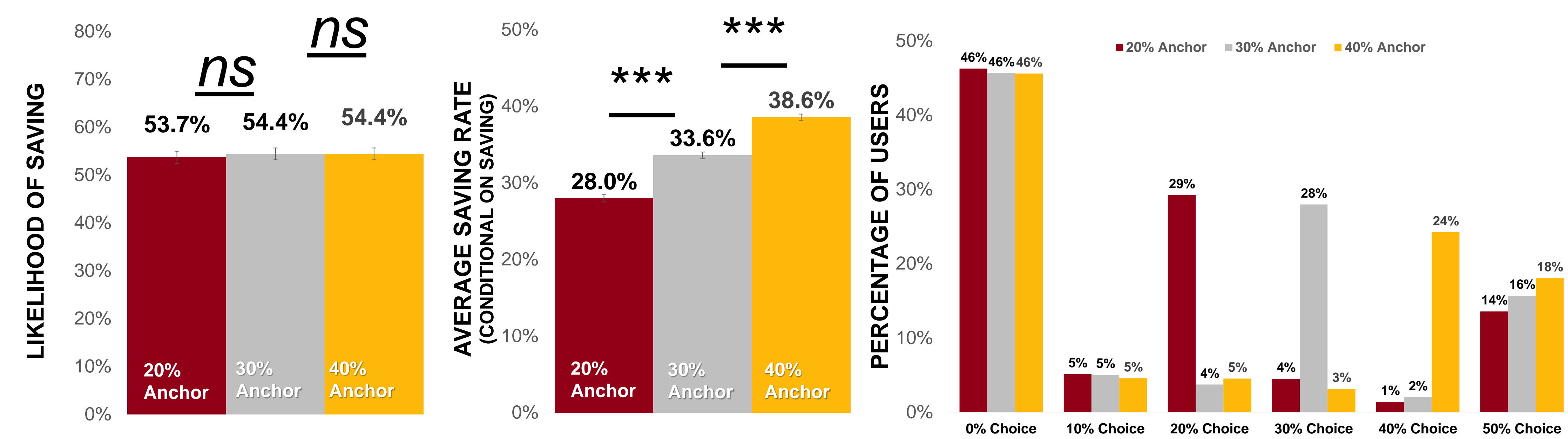
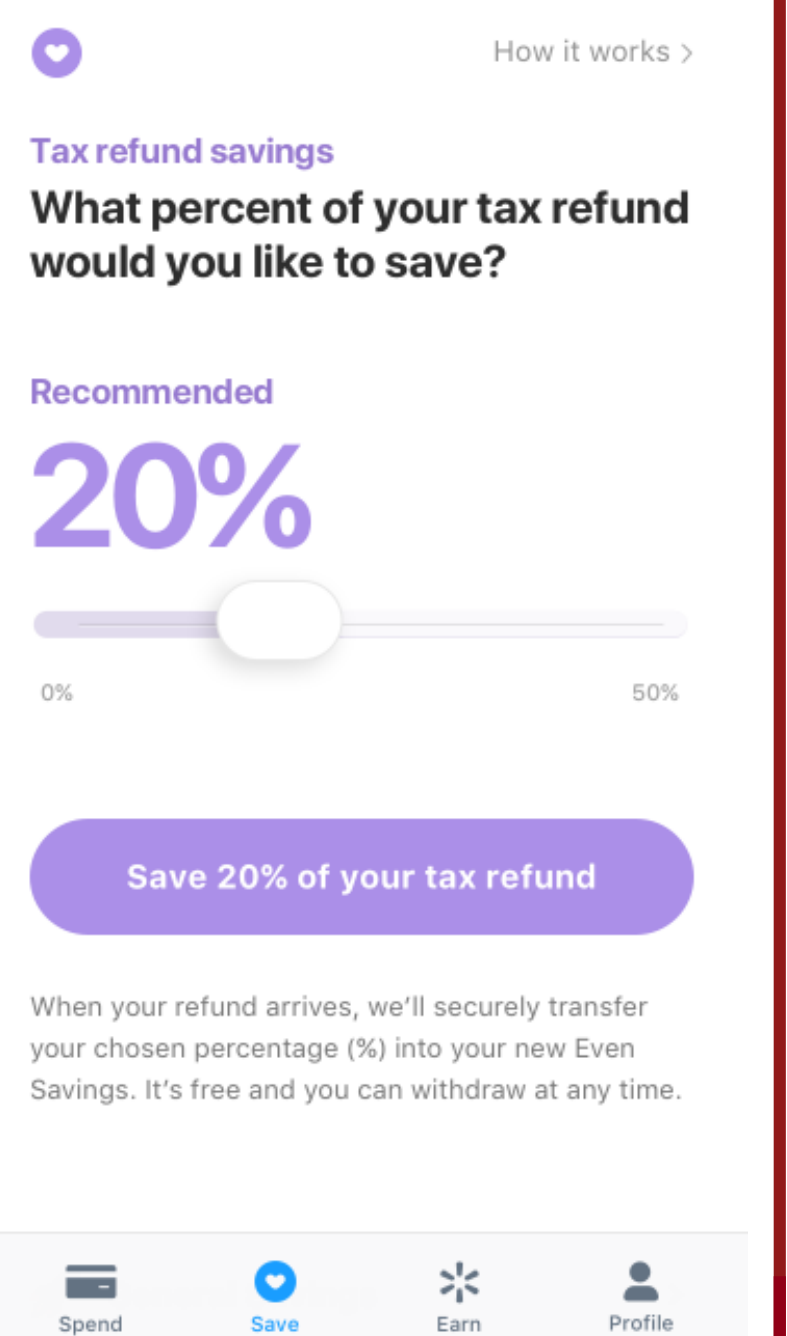
References:
Kusko, A. L., Poterba, J. M., & Wilcox, D. W. (1994). *Employee decisions with respect to 401 (k) plans: Evidence from individual-level data* (No. w4635). National Bureau of Economic Research.
Federal Reserve Board (2019). *Report on the Economic Well-Being of US Households in 2018*

STUDY 1: REAL WORLD SAVING

Analyzed **real** tax saving behavior of 18,582 low-income Even users (personal finance app)

3 conditions: (1) 20% anchor, (2) 30% anchor, and (3) 40% anchor

2 DVs: (1) Percentage of savers and (2) average savings rate



Results:

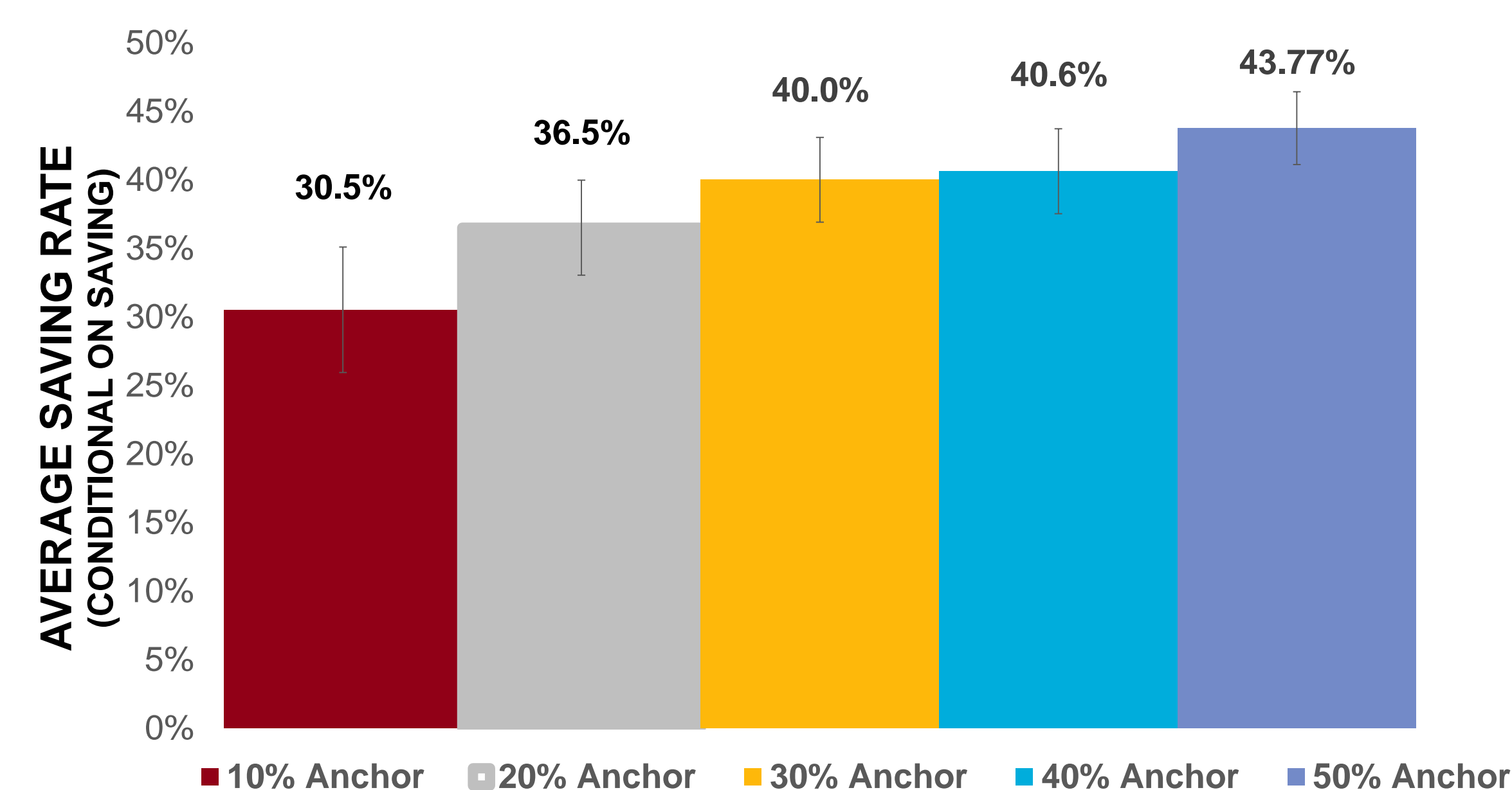
- Anchoring did not impact the likelihood of saving ($\chi^2(2, N=18,852)=.68, p=0.713$)
- However, conditional on saving, anchoring does impact the average savings rate ($F(2,10064) = 586.40, p < .001$)

STUDY 2: LAB REPLICATION

Analyzed saving behavior of 389 Prolific Academic workers

5 conditions: (1) 10% anchor, (2) 20% anchor, (3) 30% anchor, (4) 40% anchor, and (5) 50% anchor

2 DVs: (1) Percentage of savers and (2) average savings rate



Results:

- Anchoring does not impact the likelihood of saving ($\chi^2(4, N=389)=5.59, p=0.232$)
- However, conditional on saving, anchoring does impact the average savings rate ($F(4, 308) = 8.41, p < .001$)

STUDY 3: INCREASING SAVERS

Analyzed saving behavior of 603 Prolific Academic workers

6 conditions: 2 (increasing vs. decreasing choice scale) x 3 (20% anchor, 30% anchor, 40% anchor)

2 DVs: (1) Percentage of savers and (2) average savings rate

What percentage of your potential earnings would you like to save?

Increasing Scale

0% 10% 20% 30% 40% 50%

Decreasing Scale

50% 40% 30% 20% 10% 0%

Results:

- A decreasing (increasing) scale does lead to marginally more (less) savers ($Savers_{decreasing} = 83.4\%$, $Savers_{increasing} = 77.8\%$; $z = 1.73, p = .084$)
- Anchoring does not lead to more savers ($Savers_{20\%} = 79.6\%$, $Savers_{30\%} = 81.2\%$, $Savers_{40\%} = 80.3\%$; $z = 0.18, p = .856$)
- There is no interaction between scale order and anchoring on the likelihood of saving ($z = 0.42, p = .677$)
- Conditional on saving, scale order does not lead to higher savings rates ($Rate_{decreasing} = 39.4\%$, $Rate_{increasing} = 39.1\%$; $F(1, 482) = 0.07, p = .789$)
- Conditional on saving, anchoring does lead to higher savings rates ($Rate_{20\%} = 37.2\%$, $Rate_{30\%} = 38.5\%$, $Rate_{40\%} = 42.0\%$; $F(2, 482) = 6.53, p = .002$)
- There is no interaction between scale order and anchoring on the average saving rate ($F(2, 480) = 1.92, p = .148$)