Decision importance as a Cue for Deferral

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People often defer choice....
Retirement saving

Ultimate guide to retirement

When should I start saving for retirement?

Getting started
When should I start saving?

- When should I start saving for retirement?
- Where should I save my retirement money?

The answer is simple: as soon as you can. Ideally, you’d start saving in your 20s, when you first leave school and begin earning paychecks. That’s because the sooner you begin saving, the more time your money has to grow. Each year’s gains can generate their own gains the next year - a powerful wealth-building phenomenon known as compounding.
Strategy: ‘Make it important’
This might backfire...

...by causing deferral.
“Imagine that you receive a letter from your employer. There are some attractive possibilities to save more for your retirement. On the next page you are going to make a decision about the available retirement plans. **This decision will affect about 80% [3%] of your income during retirement.**”

“You could now either choose to participate in Plan A by checking a box and returning the letter, or you could look for more information on a website and decide later. What would you do in this situation?”

\[ \chi^2 (200) = 9.44, \ p = .002 \]
Experiment 2: Deferral and Flexibility

“You can switch between plans or quit at any time.”

\[ \chi^2 (302) = 7.58, \ p = .006 \]
Experiment 3: Costly Deferral

“(…) you know that the choice between courses is not very important [extremely important] for your career. This decision has almost no impact [a huge impact] on your future.”

“Below are the three available courses with all the relevant pros and cons. There are no other options and you know that there is no other information available.”

“You can either decide right away and enroll in one of these three courses immediately, or you can wait and enroll in one of these courses next month. [Only if you enroll immediately, you will get a $20 discount.]”
Experiment 3: Costly Deferral

No costs

- Unimportant: 14.8%
- Important: 27.5%

Costs

- Unimportant: 11.1%
- Important: 22.2%

N = 323
To summarize

People defer important decisions more.....

.....independent of choice set composition
.....when flexibility is retained after choice
.....when deferral may lead to loss of options*
.....when deferral is ‘non-instrumental’
.....when deferral is financially costly

People use decision importance as a cue for deferral
“People defer a decision *in spite of its importance.*”

People defer a decision *because of its importance.*
“Why should I care?”

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