

Financial Decision Making and Retirement Security in an Aging World

EDITED BY

Olivia S. Mitchell,
P. Brett Hammond, and
Stephen P. Utkus

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Chapter 6

Advice in Defined Contribution Plans

Gordon L. Clark, Maurizio Fiaschetti, and Peter Tufano

Defined contribution (DC) pension plan participants are often encouraged to seek advice so as to fashion saving strategies that take into account their goals and objectives, expected income, and risk tolerance over the short and long terms (North 2015). To the extent that DC plan participants seek advice on these issues, it is widely believed that they begin with friends and relatives, perhaps augmented by the Internet and websites (depending on age and gender; see Clark et al. 2014). These sources may not be as helpful as need be; indeed, what peers say and do can drive participants in different directions (Beshears et al. 2015). In many OECD countries, participants' need for advice is often fulfilled by governments and commercial vendors. For instance, governments can distribute information for retirement planning, maintain interactive websites, and encourage awareness of the issues. Few commentators suggest these efforts have been particularly effective (UK Government 2008).

Whether financial advisors can be trusted to act on behalf of their clients and whether financial advisors are able and/or willing to assume responsibility for their advice are key academic and policy issues (Campbell et al. 2011; Gabaix and Laibson 2006). At the same time, it is apparent that little is known of the nature and scope of the demand for advice by the full range of DC plan participants. In part, this is because many DC plans, especially those in the private sector, have low rates of participation by low-paid employees. Also, in many jurisdictions, DC plan participants tend to search for and select their own advisors. Where advisors are not trusted and/or come at a price, it appears participants are often reluctant to seek advice. In this chapter, we focus on the provision of retirement advice where the provider acts in the interests of participants.

Four issues are of interest. First, we investigate the timing of advice-seeking by DC plan participants as they approach the median age of retirement. Second, we distinguish between advice-seeking in general and advice-seeking relevant to retirement planning, assessing whether participants' advice-seeking on this issue is a distinctive class of advice-seeking. Third, we test whether advice-seeking is responsive to events and macroeconomic trends. Fourth, we assess the patterns of advice-seeking as participants approach the median retirement age by reference to participants' age, gender,

account balance, and salary. We rely upon a large database of Australian DC pension plan participants involving approximately 560,000 participants over ten years.

The administrator provides advice without requiring the payment of a fee by the participant in circumstances where the advisor is incentivized to help the participant without regard to the sponsor or other service providers.

This chapter begins with an overview of recent behavioral research that suggests the context in which planning takes place is important (Clark 2014). Thereafter, we introduce the data on advice-seeking, noting the distinctive attributes of the Australian system of mandatory DC pension saving. This is followed by an account of the topics raised by pension plan participants when seeking advice from their multi-employer pension plan administrator. Tests of robustness are used to justify categorical distinctions between advice sought on administrative matters, investment, and retirement planning. We show that advice-seeking on retirement planning comes to dominate other forms of advice-seeking as plan participants approach the Australian median age of retirement. In the concluding section of the chapter, implications are drawn for the design of DC pension schemes and public policy.

Saving for Retirement

Like many cognitive scientists and decision-theorists, we accept that human beings look to the future and/or recognize the virtues of planning for the future; that is, planning for the future is a human trait (Bratman 1987). Whether people are effective planners is more problematic, however. The issue is one of competence in relation to the environment in which they must make decisions and take actions (Clark et al. 2006). For instance, some environments may be benign and/or rewarding when planning for the future, whereas other environments may be so unstable that making plans and acting on behalf of long-term expectations is self-defeating. In a related vein, Simon (1982) has argued that whereas most people are intendedly rational, their best intentions may be confounded by unexpected changes in the environment (Gabaix et al. 2006).

The extent to which people value the future, how they deal with possible losses as opposed to possible gains in welfare, and how they adapt to new information, are just three topics among many that represent the focus of behavioral research (Ainslie 2012; Baron 2008). In the context of risk and uncertainty, it has been shown that, on average, people either discount the long term or discount the immediate future but attribute value in the long term (Laibson 1997). Likewise, it has been shown that, on average, people are more concerned with a possible loss in welfare than they are willing to assume risk to achieve higher well-being. Moreover, many people procrastinate,

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leaving to the last minute decisions that they must or should take, yet some people more than others overreact to new information and can arbitrarily change their plans for the future (see Kahneman 2011).

Lusardi and Mitchell (2007, 2011) suggested that saving for the future requires more than being an effective decision-maker; it also requires knowledge of the principles underpinning financial planning. They have identified a set of skills relevant to long-term financial decision making and tested respondents at home and abroad in terms of their competence. The results show that financial literacy varies by age, gender, education, and income. Such patterns in financial literacy cut against the plausibility of representing individual retirement planning as simply the expression of well-founded intention and commitment. At issue is whether high levels of financial literacy can reinforce saving for the future *and* reasoned adaptation to changing circumstances, versus whether low levels of financial literacy discourage those concerned from making plans for the future.

Saving for retirement is an especially demanding problem (Zeckhauser 2010). At one level, it involves making forward estimates of one's job tenure, value of human capital, and health and welfare. It also involves making forward estimates of the risk-adjusted rate of return on contributions to a pension saving plan which, in turn, involves making forward estimates of the relative value of plausible long-term investment strategies. For younger workers who face considerable uncertainty as to their long-term job prospects, the rate of return on their education, and longevity, elicit a variety of responses including procrastination and status quo bias (Samuelson and Zeckhauser 1988). Older workers face less uncertainty on these factors and may be more effective at planning for the future because the planning horizon is better defined. Saving for retirement would be more effective if younger workers could imagine themselves as older workers with all the benefits of hindsight. Quite obviously, this is highly problematic.

For these reasons, the average worker may be ill-equipped to make plans for the future. Younger workers may need guidance in framing long-term expectations, and older workers may not have the skills and expertise to take advantage of their accumulated savings and make investments that can generate sustainable incomes. Further, the findings from behavioral research as regards the pervasiveness of decision making biases and anomalies suggest that leaving responsibility for retirement saving to individuals is likely to result in lower social welfare.

Demand for and Supply of Advice

Given their lack of skills and expertise, pension plan participants may, on their own account, reach out for advice. It is widely assumed that the average

participant begins with family and friends, work colleagues, and/or third parties who are known to them. It is reasonable to suppose that the advice provided by family and friends may do little more than reinforce expectations. Whether colleagues and the work environment are useful ways through which to learn about saving for the future appears to depend upon factors specific to the workplace, such as the heterogeneity of fellow employees (negative) and the engagement of the employer (positive). In some jurisdictions, trusted third parties can include employers and local bank employees.

Advice-seeking from third parties would seem to be confounded by two intersecting factors. First, just as pension plan participants may lack the skills and expertise to be effective long-term planners, they may also lack the skills and expertise to search for and assess the relative merits of competing advice providers. That is, the cognitive biases and anomalies that discount effective decision making in the context of risk and uncertainty also apply when searching for providers and choosing amongst service providers.² Second, those offering advice may do so by proclaiming their independence and trustworthiness while concealing their ties to vendors of financial services and the true cost of their services. In the vernacular of economic theory, asymmetric information confounds the search for and selection of advice providers (Akerlof 1970; Spence 1977; Gabaix et al. 2006).

More generally, little is known about the demand for advice in circumstances where participants trust the advice provider without pressures to take proffered advice and related products. It would also be helpful to know more about the nature and scope of advice sought when the participant does not directly pay either the plan sponsor or the third-party provider of advice. Academics, consultants, and policymakers tend to treat advice relevant to saving for retirement as distinctive, but it is not obvious that pension plan participants carry with them a robust classification system that distinguishes, for example, insurance products from retirement savings products. As such, it is important to understand better the nature and range of topics raised by participants and whether it is reasonable to suppose that seeking advice in this domain is distinctly different from those issues raised when seeking financial advice (in general).

Evidence from behavioral psychology and economics suggests that people are more likely to seek advice when their material circumstances and/or expectations change in unanticipated ways (Harvey 2012). In this respect, uncertainty as regards the future may result in participants being unable to assess the impact of possible future events, or to assign probabilistic estimates of their likelihood in ways that inform savings behavior. This does not necessarily mean that *any* unexpected change in their material circumstances would prompt reconsideration of plans and, possibly, advice-seeking. Such events would have to be significant in relation to competing

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claims on their attention, since people have limited cognitive resources. This may have two related effects: people could seek advice to compensate for their previous lack of attention, and people could seek advice because changes in their material circumstances trigger attention to the planning process.

On a related issue, Sharpe (2007: 11) has observed that ‘investors differ in geographic location, homeownership, profession, and so forth. We term these aspects an individual’s *position*. If two people have different positions they may wish to hold different portfolios. Similarly people may have different feelings about risk, present versus future gratification, and so on. We term these an individual’s *preferences*.’ When the Australian Bureau of Statistics (2011) asked a representative sample of Australians about their retirement incomes, a significant minority of retired women indicated that the main source of funds for meeting living costs came from their partners’ incomes. Likewise, when women intending to retire were asked about their sources of expected income, they indicated that they would rely on their partners’ incomes, especially when the women were younger. By contrast, male retirees and near-retirees indicated a much lower propensity to rely upon their partners’ income.

In essence, an individual’s age, gender, household situation, and employment experience can systematically affect advice-seeking relevant to saving for retirement. The timing and volume of advice sought, the topics raised at any point in time and over time, and the relationship between the nature and scope of advice sought and the participants’ expectations of retirement income are key issues to building an understanding of the demand for advice. If individual preferences are not constant over time, changing in response to life cycle factors and situational imperatives, including commitments and reliance upon others, then long-term plans may well be discarded and advice sought about how to adapt to new circumstances.

Advice, Retirement, and Events

In this chapter, we focus upon the advice offered by Mercer (Australia), an administrator of more than 120 corporate pension plans. Mercer provides advice via a call center and Internet facility, where those employed to advise participants have no incentive other than to ‘help’ the participant in a timely manner (Clark et al. 2014).³ Participants seeking advice about their pension accounts are dealt with immediately and directly. Should they also seek advice about financial planning involving other financial instruments, they are passed to more qualified Mercer financial advisors. Industry super funds are not-for-profit organizations

and widely advertise this as a virtue (Association of Superannuation Funds of Australia 2014). In this case, the plan administrator is a commercial entity but it mimics the service ethic of industry superannuation funds. The provision of advice is subject to regulation by the Australian government and its agencies.⁴

Advice Facility

The Mercer database includes information on participants' age, gender, postcodes, account balances, and whether (and when) they sought advice. The call center was established in 2004 and is open five days a week, from 7 a.m. to 8 p.m. (Australian Eastern Standard Time). The web facility was established in 2008 and it is accessible seven days a week. Mercer employs approximately one hundred full-time and part-time advisors who handle calls and web-based inquiries. The variance in advice-seeking is dominated by the day-of-the-week effect, followed by a seasonal effect, and then instances or events that may prompt groups of participants to seek advice. The day-of-the-week effect is centered on Mondays and Tuesdays, and the seasonal effect is centered on the run-up to the end of the financial year (June 30) with a significant fallow period over December and January of each year (Christmas holidays and vacation) (Clark et al. 2014).

Each call and web-based inquiry is logged and, where possible, the topic or topics raised by the participant are identified and recorded. Over the period 2004–13, more than 140 topics were logged in the system. Some calls were single-topic, whereas other calls were multi-topic in nature. The topics raised fell into three broad categories: administrative matters, investment matters, and retirement planning. Over the period 2004–13, administrative matters dominated the call center and web-based facility; calls related to investment matters and retirement planning together accounted for less than 50 percent of all calls. The Mercer system recorded more than 1.5 million calls over the period 2004–13, and approximately 2 million web-based inquiries over the period 2008–13. Early on, the length of calls averaged 3.5 minutes. More recently, calls have averaged 4.5 minutes.

Age of Retirement

Passed in 2004, the federal Age Discrimination Act (ADA) prohibits all forms of direct and indirect discrimination based upon a person's age. In addition to federal legislation, Australian states and territories prohibit age discrimination. Federal legislation covers private employees including those working full-time, part-time, casually, and those employed on contract by agencies and external providers. The ADA does not proscribe compulsory

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retirement at a certain age, although this is addressed in most states' and territories' statutes. Federal statute treats compulsory retirement at a certain age as an instance of age discrimination rather than an issue significant in its own right. Most public officials and employees are subject to compulsory retirement at a specific age.

Otherwise, there is no official age of retirement in Australia. Through the period 2004–13, 65 years of age was the minimum age for a man or woman to claim the Age Pension. Legislation passed in 2014 provided for a graduated increase in the minimum age from 65 to 67 years of age. The federal government also regulates the 'preservation age', or the age at which individuals can gain access to their superannuation assets. Recent legislation has also provided for a graduated increase in the age to claim access to superannuation assets from 55 to 60 years of age. As in many OECD countries, the Australian government has sought to encourage people to work longer, both full-time and part-time.

Data on the retirement status and retirement intentions of the Australian civilian population were provided by the Australian Bureau of Statistics (ABS 2011). Statistics obtained from the federal government's Multipurpose Household Survey are used by the ABS to provide estimates for Australia taking into account age, gender, and work status, whether in the labor force, unemployed, or not in the workforce. Beginning with the 8.7 million civilian population 45 years and over, it was estimated that 4.9 million were in the labor force, of which 4.7 million were employed and 150,000 were unemployed. Of the 3.8 million not in the labor force, it was estimated that 3.2 million were retired. The ABS provided estimates of those retired by gender and age cohort. Figure 6.1 shows that women had higher rates of retirement in all but the oldest cohort of 70 years or more, being most obvious during their 50s and early 60s. When surveyed, younger women indicated that they would rely on their partners' income for meeting the living costs of retirement at a much higher rate than men who intended to retire at much the same age.

The survey also asked men and women currently in the labor force to estimate their intended age of retirement (Table 6.1). Those not in the labor force included retirees, those not retired and intending to look for either full-time or part-time work, and those who had never worked. Comparing age (cohort) and gender with respect to the intended age of retirement, there was little difference in the average age of intended retirement reported by respondents. Middle-aged cohorts (e.g., 45–9 years and 50–4 years) tended to report a slightly lower average expected age of retirement (61–3 years) than older-age cohorts (e.g., 55–9 years and 60–4 years) (63–5 years). As noted previously, public policy provides incentives to work through to one's 60s. Nonetheless, a large proportion of the population is retired by age 65.

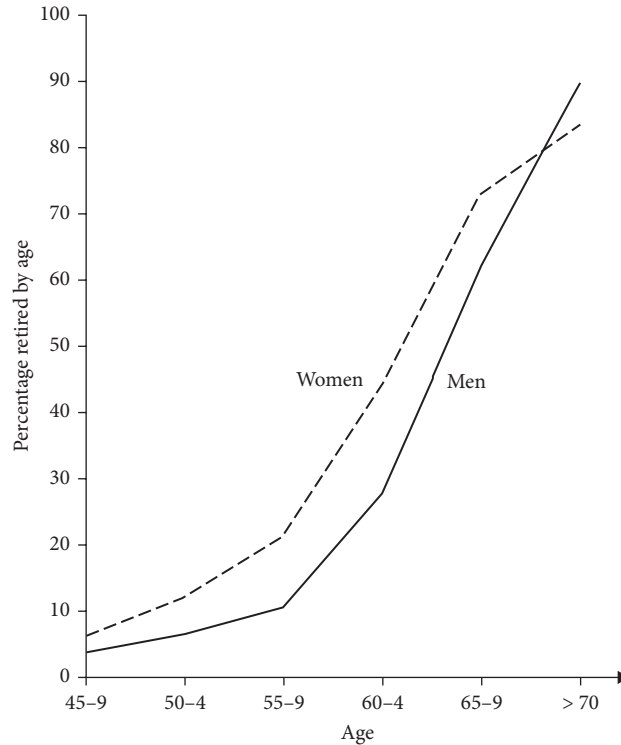


Figure 6.1. Australian rates of retirement by age and sex

Source: Australian Bureau of Statistics (2011).

Global Financial Crisis

Midway through the period 2004–13, the global financial crisis erupted, drastically affecting the financial stability and economic performance of many OECD countries. The US and the UK were particularly adversely affected, prompting high rates of unemployment, high rates of household indebtedness, and a plunge in stock market performance not seen since the Great Depression of the 1930s. Economic recovery thereafter has been protracted and uneven. The response of individuals and households to the crisis has been a significant topic for academics and policymakers (Akerlof et al. 2014).

In the Australian case, the impact of the global financial crisis was ‘remarkably mild by the standards of previous Australian recessions’ and other OECD countries (Edey 2009; Eslake 2009). Likewise, the downturn in the Australian stock market (2008–9) was short-lived, with a rapid recovery

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TABLE 6.1 Relationship between call volume by topics and macroeconomic factors

	Administrative	Investment	Retirement planning
% change stock mkt	1.638 (1.483)	0.416 (0.722)	0.923 (0.855)
% Δ gdp	-2.275 (10.379)	-1.702 (5.383)	-10.860 (6.638)
% Δ full_time_employed	35.073 (19.100)	32.688** (9.386)	27.413* (11.366)
% Δ expectation of financial situation next 12 months	-1.194 (1.236)	-0.851 (0.587)	-0.772 (0.689)
% Δ expectation of economic conditions next 12 months	0.004 (0.816)	1.146 (0.621)	0.970 (0.763)
% Δ expectation of economic conditions next 5 years	2.087 (1.438)	-0.894 (1.008)	-1.034 (1.212)
% Δ unemployment expectations	1.753 (1.194)	0.842 (0.824)	0.733 (0.820)
Year fixed effects	YES	YES	YES
_cons	-0.050 (0.238)	0.239* (0.109)	0.111 (0.135)
sigma			
_cons	0.242*** (0.040)	0.123*** (0.020)	0.144*** (0.026)
N	32	32	32

Notes: 'Sigma_cons' is the regression's estimated standard error. *p < 0.10, **p < 0.05, ***p < 0.010.

Source: Authors' elaboration of Mercer's data and data from the Australian Bureau of Statistics and the Australian Stock Exchange.

to higher levels of performance. It can be hypothesized that the global crisis affected short-term expectations and behavior especially by those who might otherwise have retired. Gerrans (2012) found that the stock market downturn had only a modest effect on the trading activity of superannuation plan participants. Those who did respond were older women with relatively large account balances, rather than men.

Advice-Seeking: Timing and Patterns

Using these data we study patterns of retirement planning over the short term and the long term. A cluster analysis was used to sort the topics identified by call-handlers at the Mercer call center over the period

2004–13 into three categories: administrative, investment, and retirement planning. We were most concerned to discriminate calls related to retirement planning from other categories of calls. Many of the topics used to code calls were related to administrative matters. Calls related to investment matters and retirement planning were dominated by just 15–25 topics each. As such, the clustering routine was more focused on topics at the margins of each category with low counts of inquiry than upon a broad array of topics with high counts of inquiry. Based upon the Calinski-Harabasz (1974) test, it was found that the optimal number of categories was three (thereby justifying the use of the three main categories set out above).

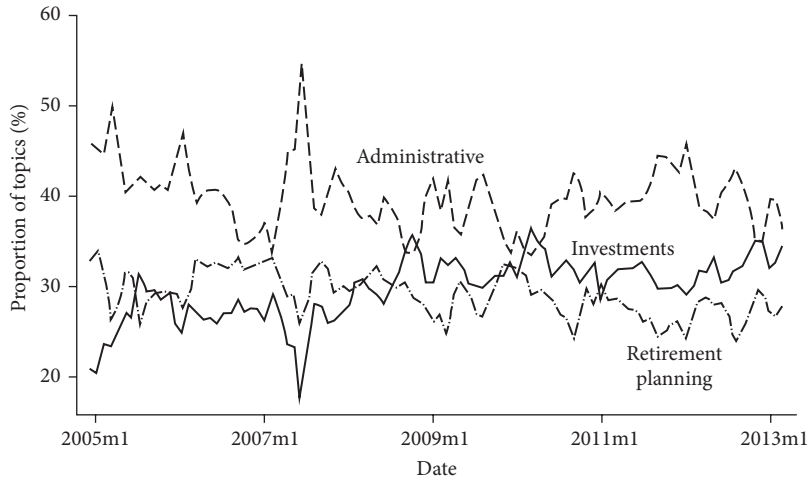
Figure 6.2 displays the proportion of each category on the overall volume of calls over the period 2004–13 on a monthly and yearly basis. As shown by the yearly representation (Figure 6.2, Panel B) the contribution of the administrative matters category to the overall volume of calls dominates those of retirement planning and investments over the whole period. This is partly due to a composition effect, given the higher number of administrative issues potentially affecting participants (e.g., change of contact details, info-kit follow up, magazine not received, etc.) with respect to a relatively smaller number of those regarding the other topics. After the initial setup period of the call center in 2004, both the contribution of administrative and retirement planning calls decreased to surge again in mid-2007 (the former) and in 2006 (the latter), thereafter declining and then again rising, just for the administrative issues, toward the end of the period.

Each category of calls followed much the same path over the entire period, although the volume of calls by category differed. Notable in this regard was a shift after 2008 in the relative level of calls related to retirement planning and to investment matters. The peak in administrative calling frequency in mid-2007 was related to a change in federal government policy in relation to the tax treatment of superannuation (as shown in Figure 6.2, Panel A). The change in policy was announced in May 2006 and implemented on July 1, 2007 (Clark et al. 2014). This caused a peak in participants' interest in June 2007 given the natural tendency to procrastinate until the change was about to be implemented. It is also notable that the increasing importance of calls related to investment matters relative to retirement planning took place at the onset of the global financial crisis, dominating the retirement planning issues for the rest of the sample period.

A test for the existence of co-integration over the period 2004–13 indicated that the hypothesis that the categories of advice-calling were co-determined could not be accepted. We also sought to determine whether the categories of calling were co-determined by the path of the Australian

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Panel A. Monthly trend



Panel B. Yearly trend

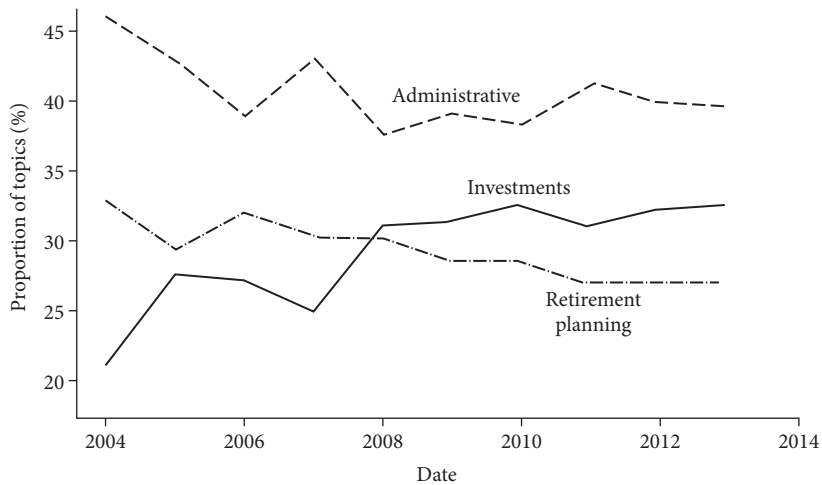


Figure 6.2. Proportion of topics raised on calls by category over time

Source: Authors' elaboration of Mercer Data.

economy, using quarterly data to represent macroeconomic conditions. A Tobit model was used to regress the percentage change in the volume of each topic category on a set of economic variables including change in employment, unemployment, gross domestic product, expectations of future economic conditions, and stock market performance.

To test whether the results were influenced by shocks occurring during the time period, three diagnostic tests were deployed. First, residuals were plotted vis-à-vis the time variable seeking evidence for possible outliers. These were found for investment and retirement planning topics; indeed, the first quarters of 2009 and 2013 were unusual with respect to average values. Second, winsorizing was used to smooth the effect of the outliers.⁵ Third, yearly fixed effects were introduced to control for potential effects of heteroskedasticity induced by singular events.⁶ As Table 6.1 shows, the change in employment was weakly but significantly related to the change in the volume of calls related to administrative and investment matters. Changes in call volume related to retirement planning were not significantly related to these variables, suggesting participants either recognized that the global financial crisis was of limited significance to Australia, or that retirement planning is a long-term matter not affected by short-term economic events.

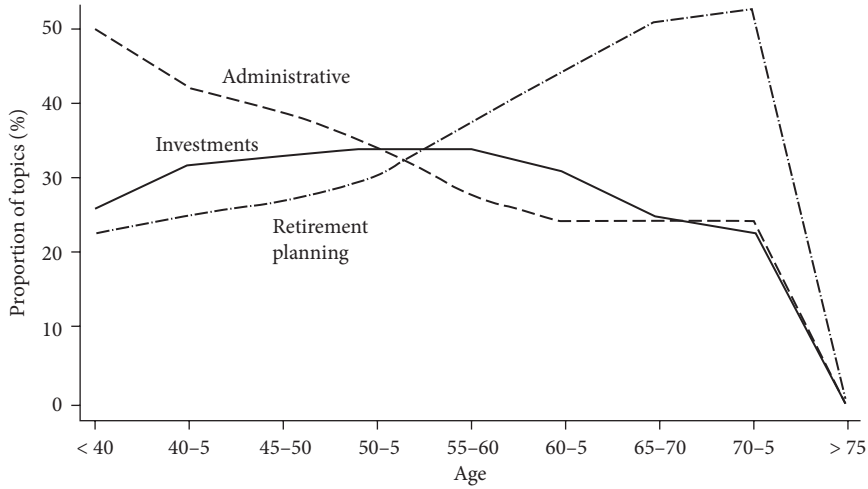
To the extent that investment involves risk and uncertainty, it was hypothesized that changes in macroeconomic conditions would prompt reconsideration of investment strategies and their implementation. The positive sign on the coefficient (change in employment) suggests that, as the rate of increase in employment slowed, so too did the volume of calls related to administrative matters and investment matters. Participants may have adopted a wait-and-see strategy rather than responded by calling immediately for advice on either administrative or investment matters (and thereafter, changing some aspect of their investment strategy). This is consistent with Roy's (1950) notion of safety first and could be allied with Kahneman and Tversky's (1979) findings on loss aversion. It is also possible that participants may have thought there was more danger in responding quickly than in a wait-and-see strategy (O'Donoghue and Rabin 1999).

As for the sensitivity of calling in anticipation of retirement, Figure 6.3 displays the decomposition of the volume of calls into each category of advice-seeking distinguishing by gender and age at the time of calling, for those age 40+ (Figure 6.3, Panel A) and for those 54+ (Figure 6.3, Panel B). It was hypothesized that the volume of calls for advice on retirement planning would rise as participants neared the median Australian age of retirement (represented in Figure 6.1), and this was evident in Figure 6.3. Administrative calls dominated topics raised by participants in their 40s. Older cohorts shifted their focus to retirement planning matters, particularly investment matters. The turning point is at about age 55, when retirement planning issues become most salient. A breakdown of the year-by-year proportion of topics raised by those age 54+ (Figure 6.3, Panel B) confirms the reduction in the volume of calls raised on administrative matters and the increasing salience of retirement planning.

We also examined interactions between gender, age, salary, and account balance in terms of the topics raised in advice-seeking calls. Here, the

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Panel A. Five-year age cohorts, over 40



Panel B. Year-by-year, over 54 years old

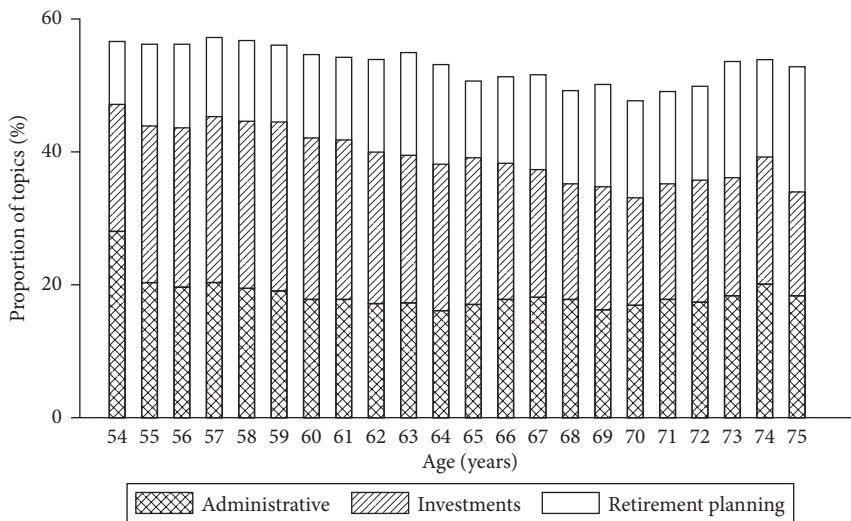


Figure 6.3. Frequency of calls by category and age over time

Source: Authors' elaboration on Mercer Data.

objective was to check for statistically significant differences across men and women when raising a topic. We plot the proportion of topics raised by gender and (i) age group, (ii) account balance, and (iii) salary, for each topic, and t-tests were computed for each possible combination. Results

were in line with expectations: gender differences in every case were statistically significant (1 percent level), highlighting its role in driving the interests and attention of participants with respect to their pension plans.⁷

A closer look at the different topics by age showed that younger women asked more about administrative matters, whereas older women asked more about retirement planning. On investment matters, the proportion of men calling for advice increased for each age cohort over age 40. This is compatible with Barber and Odean's (2001) study finding that men churned their accounts more than women did.

With respect to account balances, participants with more money in their plans were most interested in how their future wealth would be managed and what they could expect from retirement. Conversely, they seemed to be less interested in administrative matters, whereas the latter were a main concern for participants with lower account balances.⁸ Differences between men and women in their propensity to call about administrative matters declined as their salaries increased (with a marginal increase at the highest salary interval). This was also true for calls on investment topics, although the difference between men and women in calling propensity was more marked than in the case of administrative matters when taking into account average salaries over the previous five years. These results reinforce findings that men were more engaged in investment matters than women were.

Conclusions

In the Australian system, participation in a supplementary pension scheme is mandatory. Most participants are auto-enrolled into a target-date fund or similar investment vehicle. Once enrolled in an industry fund or related commercial organization, Australian DC plan participants rarely switch between providers; to the extent that switching takes place, more often than not it is the result of switching employers (who may be in a different industry with a different service provider) rather than making a choice in favor of a preferred provider. Participant inertia is reinforced by the time and opportunity costs involved in switching between providers and the upfront costs of learning about other providers and their respective virtues. Arguably, in these circumstances, service providers owe their participants a duty of care in terms of the nature and quality of services provided.

Our study has examined advice-seeking by such participants. Of those participants that did contact their funds, a large majority of younger participants called about administrative matters, rather than investment matters or retirement planning. Nevertheless it may behoove younger participants to engage in some form of retirement planning around the age of 40, so as

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to augment or take advantage of related retirement saving products. We also showed retirement planning advice is sought late in participants' working careers, perhaps too late to make an appreciable difference to their pension benefits. One way forward could be to link participants' advice-seeking on administrative matters to briefings on retirement planning (Thaler and Sunstein 2008).

Our results also showed that those seeking advice on investment matters were young and could also benefit from advice on retirement planning. These participants were often in their 40s and 50s, were more knowledgeable of the superannuation system and the services offered by funds, and could conceptualize the link between short-term investment considerations and long-term pension benefits. Advice on investment matters requires a higher level of knowledge and understanding of the issues by call handlers, so they are also subject to higher standards of certification by Australian authorities.

Linking advice on investment matters with retirement planning may require the upgrading of the call handlers' skills and, perhaps, hiring different kinds of call handlers than those that handle routine administrative matters. In practice, however, many super funds charge a fee to those seeking advice on investment matters, on the assumption that these matters are more complex, require higher levels of skill and expertise, and often incur follow-up calling and material provision. The fee-for-service model may be antithetical to engaging those active on investment issues with retirement planning.

Call centers, web access, and mail are crude mechanisms for engaging participants in retirement planning. In response, some employers have brought independent financial advisors to the workplace to counsel those seeking investment advice and retirement planning. While there is little in the way of published research on the value of this type of facility, experience suggests that the take-up of this type of service depends upon the fee charged for the service, the degree to which an independent financial advisor is 'independent', and the age, gender, and incomes of employees. Also important, though less recognized, is the provision of expert advice by suitably qualified advisors without incurring (explicitly or by implication) long-term commitments by the employer. Many Australian employers have, in effect, given up responsibility for the retirement prospects of their employees, but providing this type of untaxed 'benefit' may well facilitate the engagement of employees with their retirement funds.

In some cases, Australian retirement funds have taken a more proactive stance by establishing drop-in centers in large retail parks, shopping malls, and in towns and cities with high participant concentrations. Local advertising, postcode leafleting, and sponsorship of local events can help establish

the presence of these organizations in communities. While this is likely more effective than simply waiting for a participant to call on some matter of immediate interest, such engagement will be most effective when fund membership is geographically concentrated. By contrast, many of the largest funds are multi-employer, multi-jurisdictional, and multi-industry, where call centers, web access, and mail are the only ways to control costs and consequences of dispersed membership. New methods are needed to engage participants with advice that is category-specific, salient, and future-oriented, rather than simply servicing participant-initiated inquiries.

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Notes

1. This database has been analyzed to better understand the patterns of advice-seeking over time and in response to announced changes in pension policy and volatility in financial markets (see Clark et al. 2014).
2. Caplin and Martin (2011: 2899) show that individuals typically satisfice rather than optimize when searching for information. As a consequence, decisions are made without full examination of the available options indicating ‘the best available options may be missed’. In response, individuals may outsource this function to those with the requisite skills and expertise and/or seek the advice of those they trust.
3. Superannuation funds have an interest in retaining fund participants (those that call and those that don’t), especially those with large account balances. There are economies of scope and scale in the global funds’ management industry.
4. The regulatory framework governing the provision of financial advice in Australia is complex, subject to overlapping and cross-cutting legislation and regulations,

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and politically contested (see Hanrahan 2013; Latimer 2014; Serpell 2012). Further, debate about the proper provision of advice often focuses on distinctions between types of advice that the average person finds difficult to understand (Lindgren 2013).

5. Extreme values were capped to the 99th percentile (see Tukey 1962).
6. Plots of the residuals and full tables of the econometric results are available upon request.
7. These results and related graphs are available upon request.
8. We show, for the UK, that as a person's income rises and retirement account grows, this dependence on workplace pensions as the main source of future income declines. Furthermore, we show that the nature and number of a person's savings instruments change markedly. This is pronounced for higher-income male participants (see Clark et al. 2012). Here, we were unable to observe the other types of savings instruments available to participants.

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