

Stanford Center on Longevity
A LONGEVITY BRIEF

THE
MORE
DESIGN

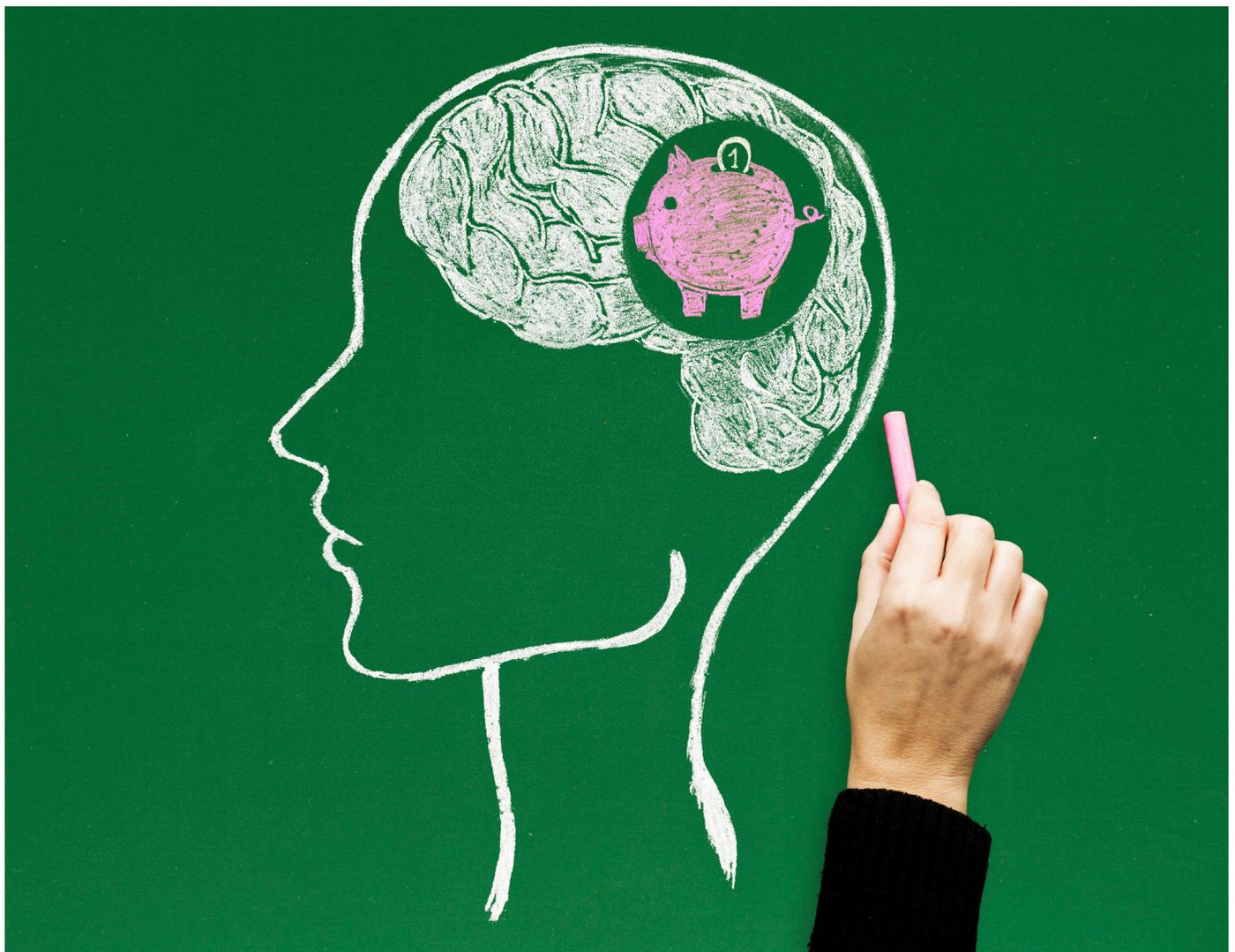
Using Psychological Science and Behavioral Economics to Improve Financial and Health Outcomes with Employees and Customers

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TAKE-HOME POINTS

- Research has identified many action steps people can take to increase the odds of living long and well.
- Many people know of these action steps, but for various reasons, do not get around to adopting them in their lives.
- Psychological science and behavioral economics can help people make more effective decisions.
- The MORE Design helps practitioners organize and integrate these findings to help engineer better outcomes for employees and customers.



INTRODUCTION

“INDIVIDUAL FINANCIAL SECURITY AND SUSTAINED PHYSICAL HEALTH ARE CRITICAL TO SUCCESSFUL LONGEVITY, YET THESE GOALS REMAIN ELUSIVE FOR MUCH OF THE U.S. POPULATION.”

People are living much longer lives compared to a century ago. One of the challenges of the longevity revolution, however, is that many people are reaching their later years without adequate financial resources and/or in poor health. To address these challenges, the Stanford Center on Longevity (SCL) analyzes strategies and programs to help promote long lives that are healthy, productive and financially secure.

Individual financial security and sustained physical health are critical to successful longevity, yet these goals remain elusive for much of the U.S. population. Research has identified numerous actions that increase the odds of a long, prosperous life, but many people don't take the necessary steps.^{1,2}

THE MORE DESIGN

To address the challenges described above, this brief integrates the robust research on psychological science, behavior change and decision-making with recent research on various behavioral economics phenomena. Our goal is to help improve health and financial security of employees and customers. This brief presents the MORE Design, which organizes various findings from psychological science and behavioral economics for



As a result, individuals aren't achieving the full potential of their lives, which results in substantial costs for both the individual and society.

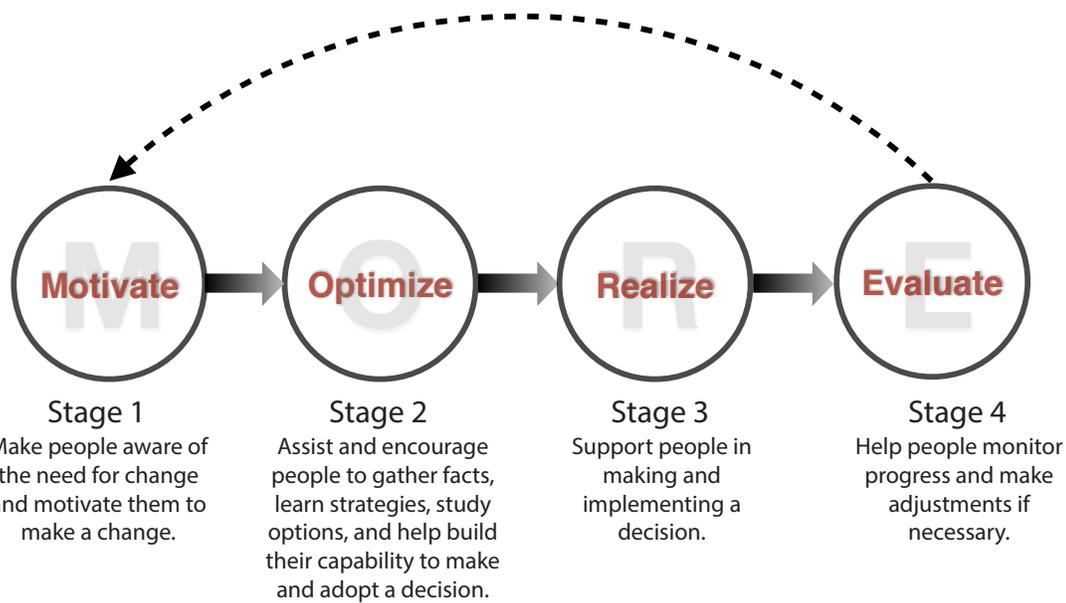
Although many people know steps they should take to improve their financial security and health, they often struggle to implement the requisite behaviors. Research suggests there is a gap between the actions people say they will take, or want to take, vs. the steps that they actually take. For example, a recent survey conducted by the Stanford Center on Longevity and Hart Research Associates shows that only small percentages of U.S. citizens

report they are “already doing well” in key financial and health domains: eating healthy foods (25 percent), getting regular exercise (24 percent), being financially secure (20 percent), and avoiding unhealthy foods (18 percent).³ At the same time, high percentages report being “very concerned” or “fairly concerned” about staying healthy and avoiding serious illness (61 percent) and running out of money (56 percent).

Psychological science and behavioral economics can help employees and customers make more effective decisions that will improve their financial security and health across the life span. Social science has deepened the understanding of the basic principles that govern behavior. The next step to improve outcomes is to apply these findings in a manner that can be readily used by human resource and financial practitioners.

use by practitioners when designing and communicating retirement and employee benefit plans.⁴ As an analogy, engineers integrate various principles from the sciences, such as physics and chemistry, to build automobiles and other manufactured products. Our aim is to synthesize empirical evidence about behavior for practitioners so they can improve the financial well-being and health of their employees, members, and customers.





The MORE Design identifies four steps that underlie successful behavior change and decision-making.

At each stage, people must wade through complicated and sometimes conflicting information, balance rational arguments with “gut feelings,” and confront mental biases and other psychological factors that influence their decision-making.

Purely educational efforts have focused on providing strategies, facts, and figures to influence behavior change and decision-making; while such information may be a necessary component of any behavior change campaign, employers and plan sponsors are increasingly realizing that just offering such information may not be sufficient.⁵ The MORE Design advocates programs that address both the logical and emotional aspects of behavior change and decision-making.⁶

Additionally, many Americans lack basic mathematical abilities or “numeracy,” which is akin to literacy for numbers.⁷ Evidence suggests that many people will simply not be able to “do the math” no matter how much financial literacy education they receive. Even individuals with a basic level of financial literacy may still fail to understand all the complexities of retirement planning.

Financial and health institutions often spend significant sums to develop

robust tools that help employees and customers evaluate their options, process their elections, and make adjustments as needed. However, these institutions often lament that usage of their tools is low. These tools typically focus on Stages 2 through 4 of the MORE Design, and they overlook Stage 1: Motivate. The MORE Design helps these institutions focus on the entire process of decision-making and behavior change, and helps diagnose the action steps that might have the best chance of improving financial and health outcomes.

An emerging approach is to continue to provide employees the freedom, flexibility, and tools to make their own decisions regarding health and financial security, but to have the plan sponsor influence and enhance employees’ decisions through the program’s design and communications. The MORE Design will help employers and other plan designers create employee programs that are based on the principle of behavioral nudges or “guiding design” - the idea that employee benefit and retirement plans and related tools should be structured in a way that guides employees to engage in healthy or optimal behavior but does not mandate it.⁸

The MORE Design applies to both behavior change and decision-making, which are distinct but overlapping concepts. Decisions are frequently discrete, one-time events, and some may be irreversible, such as the decision to start receiving Social Security benefits or triggering retirement benefits. In contrast, behavior change often takes place across a series of events, such as taking steps to develop a retirement savings strategy or to improve health. Behavior change usually requires ongoing monitoring to ensure that the new behavior (for example, saving more, exercising more) continues and individuals do not return to old patterns (for example, spending more, continuing sedentary behavior).

For more details, see the companion brief of *10 Things You Should Know About Psychological Science and Behavioral Economics*.⁹ Additional details and a step-by-step approach to address the above observations and factors in the design and communication of retirement and benefit programs are addressed in a more comprehensive paper: *The MORE Design: Integrating Psychological Science and Behavioral Economics to Engineer Better Outcomes with Human Resource, Benefits, and Retirement Programs*.



ACTION STEPS

1. Investigate the weak link in the plans and strategies presented to your employees and customers. Does motivation and engagement need to be enhanced?
2. Do your programs focus exclusively on education and providing facts and figures, without addressing the significant emotional issues that need to be addressed for successful behavior change?
3. Read the companion brief "*10 Things You Should Know About Psychological Science and Behavioral Economics*."

CITATIONS

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The mission of the Stanford Center on Longevity is to redesign long life. The Center studies the nature and development of the human life span, looking for innovative ways to use science and technology to solve the problems of people over 50 in order to improve the well-being of people of all ages.



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