Policy Applications of Behavioral Insights to Household Financial Decision-Making

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Summary. Many intractable economic and social factors—low incomes, limited financial literacy, fraud, deception—contribute to the difficult financial circumstances many households face. Directly addressing these issues is both difficult and expensive. But poor financial outcomes also result from an array of systematic psychological tendencies, the effects of which are more amenable to change through low-cost interventions. In this paper, we suggest a set of behaviorally informed interventions that the federal government in its role as either regulator or employer could implement to improve financial outcomes for individuals and their families. We focus on things that the White House Social and Behavioral Science Team and other government agencies could implement and study in the near future in five relevant domains: (1) retirement, (2) short-term savings, (3) consumer credit, (4) household consumption, and (5) tax payments. We conclude with some thoughts on longer term behaviorally informed approaches to policy that could also improve financial outcomes.
Introduction

At the end of the first quarter of 2016, U.S. households held $102.6 trillion in assets: $71.1 trillion in financial assets, and $31.5 trillion in tangible assets (mostly real estate). Offsetting these assets were $14.5 trillion in household liabilities, mostly home mortgages ($9.5 trillion) and consumer credit ($3.5 trillion). [1] These aggregate statistics are the combined result of the myriad decisions that individuals and households make almost every day that influence their financial welfare: how much to spend vs. save, whether to pay cash, debit, credit, or other payment mechanisms, how to invest, whether to rent or own, what type of mortgage to choose, how much and what types of insurance to get, whether or not to attend college and if so, how to finance it, whether to pay their bills in full and on time, whether to claim social welfare benefits to which they are entitled, whether and how much to work and earn. Behind these decisions and the institutions that facilitate them are an alphabet soup of state and federal regulators whose job it is to ensure that the economy functions in a fair and efficient manner for both individuals and firms. At the federal level, they include the Consumer Financial Protection Bureau (CFPB), the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the National Credit Union Administration (NCUA), the Federal Deposit Insurance Corporation (FDIC), the Department of Housing and Urban Development (HUD), the Securities and Exchange Commission (SEC), the Department of Labor (DOL), the Department of Education (DOE), the Department of Health and Human Services (HHS), the Social Security Administration (SSA), and the Internal Revenue Service (IRS). In its capacity as a regulator, the federal government is in a position to influence financial outcomes for individuals and households throughout the country. In addition to its oversight functions, the federal government also has a workforce of over 4 million employees; [2] it is thus also in a position to influence financial outcomes for these individuals through its role as an employer.

A growing body of evidence documents both widespread and avoidable financial mistakes made by consumers in a variety of domains, some with significant financial consequences. [3] [4] [5] [6] [7] [8] [9] [10] [11] [12] [13] [14] [15] These mistakes provide opportunities for both market actors and government regulators to improve household financial outcomes. In this paper, we outline some of the behavioral factors that contribute to consumers’ financial mistakes and then suggest a set of behaviorally informed interventions that the federal government in its role as either regulator or employer could implement to improve financial outcomes. We focus on things that the White House Social and Behavioral Science Team (SBST) could test and implement to improve financial decision-making and outcomes in the near future in five relevant domains: (1) retirement, (2) short-term savings, (3) consumer credit, (4) household consumption, and (5) tax payments. Because SBST is part of the federal government, we focus on interventions that could be implemented through or in partnership with the federal government. There are many interesting and worthy interventions that might improve financial outcomes but would be difficult for the SBST to implement and study in the short-term. We touch on these briefly in the conclusion.

Behavioral Factors that Contribute to Financial Mistakes

Many intractable economic and social factors—low incomes, limited financial literacy, fraud, and deception—contribute to the difficult financial circumstances many households face. Directly addressing these issues is both difficult and expensive. But poor financial outcomes also result from an array of systematic psychological tendencies, the effects of which are more amenable to change through low-cost interventions. We highlight here a few such factors that are particularly relevant for consumer financial decisions: imperfect optimization, biased judgments and preferences, and social context.
**Imperfect Optimization.** Consumers are not the fully rational agents characterized in classical economic models. It can be difficult, if not impossible, to costlessly calculate the tradeoffs between the different alternatives that characterize many financial decisions. The most important determinant of the options consumers eventually choose is the set of options they even consider, their "consideration set". Many mistakes stem from either considering bad financial options and/or failing to consider better ones. For those options that are considered, most will have several relevant attributes (e.g., an interest rate, a fee, a time horizon). Consumers may inappropriately weigh the attributes relevant to their financial decisions. Environmental factors (e.g., advertising) may induce consumers to give too much weight to attributes made salient by firms (e.g., past returns) and too little weight to others (e.g., fees), while past experience (e.g., a recent decline in house prices) may influence the accessibility of relevant attributes in memory and the subsequent weight they receive. In some circumstances, individuals may actively avoid information that would help them make better decisions. Even if consumers have all of the information relevant to a choice, and appropriately weigh all relevant attributes, they may nonetheless be unable to appropriately evaluate their options. For example, they may understand that the interest rate is an important attribute when making decisions to save or borrow, but because of limited financial literacy they may be unable to accurately assess the implications of compounding in these contexts, e.g., because they extrapolate linearly rather than exponentially. The combination of limited financial literacy and complicated choices can also lead to inattention, internal conflict, the application (and potential misapplication) of simplifying heuristics, and avoidance. Inaction in the face of complexity is itself another common financial mistake.

**Biased Judgments and Preferences.** Even when consumers have both the knowledge and the time to make effective financial decisions, their choices are often swayed by imperceptible psychological biases that favor certain outcomes over others. They give more weight to potential losses than to equivalently sized potential gains, they give disproportionate weight to present outcomes over future outcomes, and they overweight very low probability events relative to higher probability events. Consumers' choices vary with how a decision or its attributes are framed, and the order in which different options or attributes are presented and considered. They focus on limited local tradeoffs, rather than considering financial outcomes more broadly, which can lead to inefficient spending, borrowing and investment outcomes. Their choices are also impacted by their emotional state and seemingly irrelevant factors such as whether the weather is good or bad.

**Social Context.** Finally, social context may impact consumers' financial decisions. Employees may take the default savings rate in an employer-sponsored defined contribution retirement plan as a recommendation from their employer. Consumers may "over-trust" financial advisors, failing to appreciate the advisors' self-interest in their recommendations. Conversely, financial mistakes can also stem from lack of trust. For example, willingness to invest in the stock market has been tied to the level of overall trust in an economy, and failure to invest in the stock market has been widely characterized as a mistake. Fear of institutions and social stigma may deter people from claiming financial benefits to which they are entitled (welfare benefits, tax credits); conversely, a lack of respect for institutions and perceptions of unfairness may drive individuals to intentionally misreport information in order to claim benefits to which they are not entitled (e.g., a higher tax refund). Social networks may facilitate valuable information transmission, helping to counter the problems of limited cognition and provide encouragement for good financial behaviors; but social influence can also discourage people from better financial behavior, such as when social comparison creates discouragement or envy.
With these behavioral factors in mind, we now turn to a set of behaviorally informed interventions

**Financial Outcomes in and around Retirement**

There are many important decisions that impact individual financial well being during retirement: when to retire from the work force, when to claim social security, how much to save leading up to retirement, how to structure income during retirement, whether or not to take out a reverse mortgage, whether to purchase long-term care insurance, and how to manage health care expenditures through decisions around insurance coverage and medical care utilization. There are behaviorally informed interventions that could be used to improve outcomes in all of these important contexts, although here we highlight just a few.

**Saving for Retirement.** Several behaviorally informed approaches that mitigate the psychological biases described above have already been successfully used at scale to increase savings for retirement, including automatic enrollment, active decision approaches, and simplified enrollment options. There is, nonetheless, further scope for both improving savings outcomes and learning about what works. A recent SBST intervention with the Department of Defense showed that an active choice approach [61] coupled with a “fresh start” (Milkman et al. 20XX) decision moment [62] (when military personnel change base) increased enrollment in the Federal government’s Thrift Savings Plan (TSP). [63] SBST could build on this success by coupling this two-pronged approach with other complementary features that would make the decision around retirement saving easier or more compelling in this, or other, settings. For example, the TSP enrollment form for military personnel (TSP-U-1) [64] contains eight different contribution options (for allocations of basic, incentive, special, and bonus pay to either pre-tax or Roth accounts). Many individuals may find a pre-designated “default” option easier to evaluate than this multi-faceted choice, for example: “check here to direct 5% of basic pay to a Roth TSP account invested in a target date fund.” [65] A similar approach could be used to facilitate contribution escalation (e.g., “check here to increase your TSP contribution rate by 2%”). Other “fresh start” decision moments that could present opportunities to direct attention to saving for retirement include open enrollment for other benefits such as health insurance, the beginning of a new calendar year, reaching a milestone birthday, [66] a pay raise or promotion, and paying off a retirement plan loan (e.g., “check here to increase your retirement savings by the amount of the loan you just paid off”).

One aspect of the retirement savings decision that is particularly difficult for many individuals is whether to save on a pre-tax or after-tax (Roth) basis. [67] In savings plans where both options are available (such as the TSP), the default option is to contribute on a pre-tax basis, but there are many employees who would be better served by saving on an after-tax basis. There are at least two approaches that SBST could test with federal government employees to improve the selection of employees into these two different account types. One would be to pilot a differentiated default: employees for whom a Roth account is likely the better option are offered that account type as a default, while employees for whom a pre-tax account is likely more appropriate are offered that type of account as a default. Another approach would be to provide employees with a set of preference checklists that enumerate the reasons one might prefer to save on a pre-tax basis, and the reasons one might prefer to save on an after-tax basis. [68] This approach can help mitigate the effects of limited cognition and biased judgment discussed above.

**Consumption in Retirement.** Making better decisions about how and how much to save for retirement is an intermediate step to a larger objective, namely, avoiding abrupt declines in
consumption in the transition from work to retirement and during the retirement years. Another consequential decision impacting how much income individuals have as they age is when to start claiming social security. Individuals can claim as early as age 62, but delayed claiming substantially increases the monthly benefit received. Whether it is individually optimal to claim at age 62 or to delay until a later age depends on a variety of individual factors such as expected longevity. This is another decision where a preference checklist could help facilitate better decision-making. [68] SBST could work with the Social Security Administration to pilot such an approach as part of its annual benefits statement sent to older workers, on its website, and as part of the actual social security application process; the federal government could also pilot such an approach with older federal government employees; finally, the Department of Labor could potentially facilitate piloting such an approach with private sector employers.

Social Security is an important source of income in retirement, but individuals must also decide how to transform their personal savings into retirement consumption. Decisions about whether and how much of their savings to annuitize are perhaps the most complicated financial decisions that most households will make. In its role as employer, the federal government is in a position to pilot different approaches to facilitating better decisions around how to structure income in retirement; successful approaches could then be used as models for other employers more broadly. Interventions that might be appropriate for this decision context include preference checklists for whether or not to annuitize and/or how much to annuitize, [68] presenting information to employees on how much monthly income their savings will generate as part of their quarterly statement, [69] [70] [71] and framing the decision in ways that highlight the potential value of annuitized income as an outcome (e.g., emphasizing the value of annuities as a mechanism to smooth consumption, while deemphasizing things like the length of time one would need to live to get a positive return from an annuity). [72] [73] [74] [75] [76]

**Shorter-term Savings**

In the previous section we discussed approaches to facilitate better retirement savings outcomes, but retirement is only one of the many things for which individuals can or should save. In thinking beyond the retirement context, savings can be focused on known and planned expenses (e.g. college tuition or the down payment on a house), or done for precautionary reasons to cover unknown expenses (e.g. unanticipated car repairs or medical bills). Individuals struggle with both types of savings. Despite placing a high value on a college education, fewer than half of families are saving for this known expense for their children. [77] Similarly, less than half of households report being able to cover an unexpected $400 expense without borrowing or selling possessions. [78]

While there are many potential interventions and touch points that can be leveraged to facilitate short-term savings, we focus on two areas in which SBST might have the most success: tax-time savings, and leveraging the federal government as an employer. Both settings present opportunities to facilitate “passive” savings that do not require consumers to actively take money out of their pockets. We propose interventions designed to improve savings for both known expenditures and for precautionary reasons.

**Tax-time Savings.** Tax-time presents a unique opportunity for asset building as many households receive large refunds, sometimes accounting for as much as 30% of their annual income. [79] Interventions that facilitate or encourage saving a portion of an individual’s refund at the time of tax filing have been shown to increase savings, [80] [81] however, such interventions may be more effective if they include communications well in advance of tax season as consumers often mentally allocate their anticipated refunds prior to filing. [82] [83] One opportunity for SBST
would be to work with the IRS to notify consumers likely to receive a refund (e.g., those who received a refund in the previous year) and in this communication highlight the opportunity to directly deposit a portion of this year’s refund into a savings account (through Form 8888) and encourage consumers to make a plan for their refund that includes saving part (or all) of it. Raising the salience of tax-time as a savings opportunity may offset limited attention and help increase savings (either for known expenses or for precautionary reasons), though incorporating additional behavioral techniques such as plan-making, framing tax refund receipt as a “fresh start,” or including preference checklists that reinforce reasons to save are likely to make interventions around tax time savings more effective. [84] [62] [68]

**Shorter-term Savings of Federal Government Employees.** As the nation’s largest employer, the Federal government is well positioned to help its employees improve their financial health. Successful efforts in this domain could then serve as models for other public and private sector employers. There are several possible interventions that leverage natural touch points in the hiring and benefits enrollment process. At the time of the hire the Federal government could facilitate establishing a non-retirement savings account at a government employee credit union (or other financial institution) for new employees who do not already have such an account. SBST could assist the Treasury Department with redesigning the federal government direct deposit sign-up form (SF 1199A) and instructions to facilitate, make salient, and promote diverting a portion of an employee’s paycheck directly into a savings account. [85] There are several approaches that may help: conveying bifurcated direct deposit into both a checking and a savings account as the “default” or typical choice of most employees, encouraging an active choice about how much of each paycheck to direct into a savings vs. a checking account, and providing a preference checklist that highlights reasons to save part of each paycheck. [36] [61] [68]

In addition to the hiring process, other pivotal moments in employees’ careers at which the Federal government can facilitate non-retirement savings include child birth, promotions, job separation, and deployments for military service personnel. For example, when employees have a child (which to government as employer could infer by the addition of a child to the employee’s health insurance plan), the SBST could work with the Federal government to exploit this fresh start life moment to provide salient information about 529 college savings plans along with a simplified approach to set-up automatic contributions to such a the plan each pay period. Many government employees receive large payouts for accumulated vacation time at job separation. SBST could work with the Federal government to facilitate directing a portion of this payout to the separating employee’s savings account through direct deposit. Finally, deploying military members have a unique opportunity to participate in the Savings Deposit Program that guarantees a 10% rate of return while they are deployed. However, service members are only able to sign up for this program after deployment. In cooperation with the Department of Defense, SBST could design and test a protocol to allow eligible military personnel to sign up for this program before deployment and to highlight the benefits of doing so.

**Consumer Debt**

Individuals face difficult and costly decisions when it comes to consumer debt: whether to borrow, how to borrow, how much to borrow, when and how to repay, and which debts to prioritize when repayment funds are limited. [86] One way to categorize consumer debt is by whether it can be characterized as short-term (e.g., credit cards, payday loans) or long-term (e.g., mortgages, student loans) as each type of debt creates its own set of challenges for borrowers. Because decisions about short-term debt are made with some regularity for many consumers, there is scope for learning over time if mistakes are made initially. In contrast, decisions to take on long-
term debt are generally made infrequently and often involve sizeable financial sums. As a result, the potential to learn across these borrowing instances is limited, and the financial repercussions of mistakes are potentially large. We propose a set of behaviorally informed approaches to improve outcomes around both short- and long-term debt, focusing specifically on credit cards, payday loans, mortgages, and student loans, although many of the same approaches could be applied to a wider range of debt products.

**Credit Cards.** There are several behavioral obstacles to effectively managing credit card debt: the complexity that follows from the multiple dimensions or attributes of credit cards (e.g., different types of fees, regular and penalty interest rates, cash-back or other rewards programs), limited cognition particularly with respect to the effects of interest compounding, and a culture that revolves around spending rather than saving. Interventions that could facilitate better decision-making include visualization tools to help consumers “see” the effects of interest compounding and that calculate the “total cost” of purchases under different repayment scenarios, transparency tools that help consumers better understand how different types of charges and the non-linear relationships among them influence overall borrowing costs, and “real-time” notifications about just-incurred charges and upcoming and ongoing fees to increase the salience of these costs and help consumers avoid them in the future. [29] [87] SBST could work with the CFPB to test these types of interventions amongst consumers at large; it could also work with federal government employee credit unions to develop and test these types of interventions with federal government employees and their families.

**Payday Loans.** Much of the potential consumer harm from payday loans arises from repeated rollovers because consumers fail to anticipate that they will not be able to repay their initial loan. Approaches to reducing the long-term rollover of payday loans that could be tested in partnership with the CFPB include disclosures at the time of loan origination that highlight the high likelihood of future rollover, a worksheet to help consumers make a concrete plan about timely loan repayment at the time of loan origination, and encouraging at least partial repayment if full repayment cannot be made. [88] [84] Another approach to helping consumers avoid high-cost short-term forms of debt is to guide them to alternative products. Banks and credit unions already have substantial information about consumers, so are well placed to offer deposit advance products to compete with payday loans at a lower cost. SBST could partner with government employee credit unions to design and communicate such products to their customers as a lower-cost alternative to payday loans. The SBST could also work with financial regulators to promote offering of deposit advance products at banks and credit unions that serve the population at large, and work with the Department of Labor to encourage the nascent market for employer-based payday advances as an alternative to the formal payday lending market.

**Mortgages.** Like credit cards, mortgages differ on many dimensions (e.g. fixed vs. adjustable interest rates, points, closing costs, term) and are not easily comparable. To reduce the problems of comparison shopping, SBST could work with the CFPB to refine and test a simple and clear recommender system that would collect basic information from borrowers and present them with a small number of options best suited to their needs from which they could then select. With the Department of Housing and Urban Development, SBST could then test various approaches to making this system broadly available and widely used by home-shoppers. SBST could also work with the CFPB on a cost-transparency disclosure that provides a “people like you” estimate of the likelihood of defaulting on a stated loan given borrower characteristics. These systems can also address the question of when and how to refinance, and could be helpful in addressing homeowner skepticism about whether refinancing is actually worth the costs. [89] [90]
**Student Loans.** Although student loans can be a good investment, many students fail to distinguish between what they can borrow and what they should borrow. Students are poorly attuned to the expected salary benefits of degrees from different schools and different majors. In many cases, they borrow without completing a degree, and do not reduce borrowing when warning signs emerge that they may not complete their degree successfully. Interventions at the point of borrowing should aim to help students understand the financial benefits they are likely to receive from their college experience and determine an appropriate level of debt. SBST could work with the Department of Education to refine the presentation and test the understanding and usefulness of information on the Department of Education’s College Scorecard website, [91] [92] [93] including an expansion of website capabilities to incorporate hiring and salary information for non-graduates, and for graduates stratified by college major in addition to the existing information at the college level. [94] The SBST could also work with the CFPB and the Department of Education to develop and test approaches to promoting access and encouraging use of dynamic budgeting exercises, like the Iowa Student Loan Game Plan, which allow students to estimate college costs, monthly living expenses, student loan payments, and post-graduation salaries to help evaluate how much to borrow. [95] SBST could work also with the Department of Education to test the impact of different types of choice architecture in the process determining how much money students borrow. Building off some of the initial work of SBST on student loan repayment, SBST could also work with the Department of Education to pilot and test different types of choice architecture toward directing students to the repayment plan that would work best for them, perhaps according to college and major, and again, use dynamic budgeting systems to make sure that their monthly budgets can accommodate anticipated repayment amounts. [63]

**Social Welfare and Income Transfer Program Take-Up**

An important financial resource for many low income households are the benefits received through government social welfare and income transfer programs, and yet, each year millions of eligible households fail to claim the often substantial benefits—from programs such as EITC, SNAP, TANF, and SSI—for which they are eligible. [96] [97] Economists have traditionally attributed this failure to claim to the time- and effort- costs associated with program application, or to social stigma associated with program participation. [98] Recent evidence, however, suggests that low take-up, particularly among the very poor, may also be due to psychological frictions such as a lack of program awareness, confusion about benefits and eligibility, and administrative complexity. [99] [100] [101]

One strategy to overcome behavioral barriers to take-up is to encourage agencies to aggressively market eligibility and enrollment instructions through simple and repeated communications aimed at those potentially program eligible. The SBST could assist in this effort by consolidating, and then circulating, a set of marketing “best practices” (e.g., repetition, prominent declarations of likely eligibility and benefit size, and clear enrollment instructions) that have already been found by certain agencies to increase participation (e.g., IRS communications that increased EITC claiming by those eligible). [99] A second strategy is to leverage existing program touch points to cross-promote other programs for which individuals might be eligible (e.g., promoting student loan eligibility when individuals are doing their taxes). [100] For example, SBST could partner with the Centers for Medicare and Medicaid Services to communicate likely eligibility for the EITC and other social welfare programs to low-income individuals enrolling for health insurance through the HealthCare.gov marketplace. Such cross-promotion could be especially beneficial for targeting EITC non-claimants who might otherwise not file their taxes. Finally, given the potential limits to even the most adeptly designed marketing and education schemes, the SBST could pilot approaches to bypass administrative hassles altogether and automatically enroll
individuals when appropriate. For example, rather than distributing redesigned versions IRS notices (CP09 and CP27) sent to advise eligible tax-filers of unclaimed EITC benefits, non-claimants could simply be mailed their benefit checks.

**Federal Income Taxes**

Household decisions about income tax withholding during the year, as well as about reporting taxable income and claiming credits at the time of income tax filing, impact both household finances and the federal government budget. We described above ways that the SBST could work with the IRS to use tax time as an opportunity to promote short-term savings out of tax refunds that arise from over withholding. While some households view over withholding of taxes as a useful commitment device to save, other households would prefer to get a smaller refund and have more income available throughout the year, while still other households owe substantial additional taxes at year-end because too little is withheld from their pay throughout the year. Unfortunately, the relationship between the “allowances” claimed on the IRS Form W-4 (which determines the rate at which employers withhold taxes) and the amount of money likely owed as additional tax or due through a refund is not at all transparent to most taxpayers (including the authors of this paper). [102] A great opportunity for the SBST would be to help the IRS redesign the W-4 form to better help taxpayers match their tax withholding with their ultimate tax liability. The W-4 could also highlight and encourage usage of the on-line withholding calculator hosted on the IRS website. [103] SBST could also work with the IRS around communications to taxpayers who have either very large refunds due or additional taxes owed relative to their incomes to help them calculate a withholding rate better aligned with their actual tax liability for the upcoming tax year.

Having too little tax withheld from each paycheck and owing additional tax when returns are due can encourage tax evasion, by underreporting income, more aggressive claiming of deductions, or by not filing at all. [104] Tax evasion in the form of underreported income costs the federal government over $450 billion annually. Proposed remedies for this “tax gap” are typically expensive, such as “devoting additional resources to enforcement”. [105] However, small changes to tax forms, informed by behavioral science, may increase compliance at little added cost. Tax returns currently require taxpayers to sign (attest) at the end of the form, after they have already decided what income to report and what deductions to claim. Experimental research suggests that signing at the beginning of a form can make moral standards salient, reducing subsequent lying. [106] [63] Tax returns could easily be modified to incorporate this insight, and SBST could work with the IRS on implementing and testing this approach. Income underreporting can also be addressed by asking more direct questions, forcing potential evaders to contemplate making explicitly false statements. Taxpayers can currently hide income that is not reported on a W-2 or 1099 by not adding that amount to their documented income, a “lie by omission.” Tax returns could instead directly ask whether taxpayers earned income that was not reported on a W-2 or 1099, requiring an explicit “Yes” or “No” response. Lying by commission (falsely stating that no unreported income was earned) would likely be more distressing (and thus less probable) than lying by omission. [107] [108]

**Conclusion**

In addition to the behaviorally informed interventions described above that could be implemented in conjunction with appropriate agencies and studied by SBST in relatively short order given existing laws and regulations, there are a number of behaviorally informed policies that could improve financial outcomes but that would require legislative changes or a longer time frame.
for implementation. We conclude by highlighting some of these other policies that may be worth considering.

Retirement savings could be facilitated by adopting mandatory (for firms) automatic enrollment of employees into a defined contribution retirement savings plan, as has recently been done in the UK. Short-term non-retirement savings could be facilitated through legislation that would allow firms to automatically enroll employees into non-retirement savings accounts and by legislation allowing for prize-linked savings accounts. Delayed or a distributed disbursement of part or all a tax refund as a form of commitment savings could help consumers better match the timing of income with that of anticipated future expenses (e.g., summer vacation, or back-to-school expenditures). Current and potential college students might benefit from having help filing for college financial aid, and allowing a market for such help could be beneficial, much as many consumers benefit from paid tax preparation. Alternatively, the demand for paid help for filing taxes and/or financial aid forms could be greatly reduced through simplification of the tax code and the financial aid application process respectively.

One long-run strategy for encouraging participation in (state and federal) social benefit and educational aid programs is the creation of a universal portal through which claimants, and/or preparers, can verify eligibility and actually enroll. A consolidated portal, with targeted marketing, could help to overcome behavioral obstacles by heightening awareness, increasing accessibility, and clarifying eligibility. A universal program enrollment site might resemble the existing benefits.gov site but with expanded functionality and a backend supported by an integration of administrative databases currently housed in different agencies. A final more structural remedy involves the fundamental simplification, standardization, and consolidation of the underlying structure of benefit programs. For example, eliminating differences in the definition of screening criteria across programs, such as dependents—or consolidating related credits (e.g., the child tax credit, the EITC, and dependent exemptions)—offers a sensible step towards reducing eligibility confusion and increasing participation without significantly expanding eligibility.
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