Aging and decision-making competence

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Aging

- Population age is increasing worldwide
- Older adults face difficult pension decisions
- Emerging literature on aging and decision-making competence
  - highlights 4 main findings
  - has implications for pension communications
Overview

1. Key findings from literature on aging
2. Suggestions for interventions
3. Take-home messages
Finding 1: Cognitive decline

- Older adults do worse than younger adults on complex decision tasks.
- But they do as well on simple decision tasks.

(figure from Salthouse, Current Directions in Psychological Science, 2004)

See: Bruine de Bruin et al., Journal of Behavioral Decision Making, 2012
Finding 2: Increased knowledge

- Experienced decision makers may not have to think as hard about their decisions

(figure from Salthouse, Current Directions in Psychological Science, 2004)

See: Bruine de Bruin et al., Journal of Behavioral Decision Making, 2012
Finding 3: Age-related decline in motivation

- Older adults with lower numeracy dislike numbers
- But they will put effort into decisions, *if* relevant

See: Bruine de Bruin et al., *Medical Decision Making*, 2015

<table>
<thead>
<tr>
<th>Name/Type of Option</th>
<th>Average Annual Total Return as of 12/31/XX</th>
<th>Benchmark</th>
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<td>1yr.</td>
<td>5yr.</td>
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<tr>
<td><strong>Equity Funds</strong></td>
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<tr>
<td>A Index Fund/S&amp;P 500</td>
<td>26.3%</td>
<td>.34%</td>
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<td>B Fund/Large Cap</td>
<td>27.6%</td>
<td>.99%</td>
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<td>C Fund/Intl Stock</td>
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<td>D Fund/Mid Cap</td>
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<td><strong>Bond Funds</strong></td>
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<tr>
<td>E Fund/Bond Index</td>
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<td><strong>Other</strong></td>
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<td>F Fund/GICs</td>
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<tr>
<td>Lifecycle Fund</td>
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</table>

* Generations 2020 Composite Index
Finding 4: Better emotion regulation

- Older adults report better emotional well-being
- Older adults are more focused on maintaining positive emotions
- Emotion goals affect decision making

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Suggestions for interventions

1. Target cognitive decline
   - Train cognitive skills
   - Provide decision aids

2. Build on experience
   - Build on familiar examples

3. Improve motivation
   - Simplify decisions and reduce choice sets
   - Increase personal relevance

4. Build on emotions
   - Frame information positively
Existing communications

• Many communications are disseminated without testing their effectiveness
• Those that are tested are often found to be ineffective, perhaps due to
  – Providing information that is too complex, unfamiliar, and seemingly irrelevant
  – Not covering what recipients want or need to know
  – Not involving psychologists
Behavioral decision research approach to developing communications

1. **Normative**: What should people know to make more informed decisions?
   - Literature review and expert panel

2. **Descriptive**: What do people already know and how are they making their decisions?
   - Interviews and surveys

3. **Prescriptive**: What do people still need to know to make more informed decisions?
   - Compare step 1 and 2 to develop message

4. **Evaluation**: Does the communication help people to make more informed decisions?
   - Evaluate message effectiveness
More about the methodology


Also on YouTube
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Take-home messages

• Older adults face cognitive decline
• Older adults also have more experience, different motivation, and emotions
• Communication should be designed with audience members’ strengths and weaknesses in mind
• Know your audience
• Test messages before disseminating them
• Psychologists can help
Related projects in Centre for Decision Research

• Understanding and improving older adults’ decision-making competence (funded by European Union)

• Understanding age differences in patients’ preferences for health information (funded Swedish Riksbanken Jubileumsfond)

• Helping older adults in financial distress (funded by EU Marie Curie Fellowship to Caezilia Loibl)
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www.leeds.ac.uk/decision-research/

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