



## Turning Good Intentions into Actions: Experimental Results Summary

One of the key issues in the provision of financial advice is the extent to which good advice is not just given and understood, but actually acted upon. In a wide-ranging review of existing research (Challenges for the Provision of Financial Advice, published September 2007) we identified many different factors that affect people's success in action-taking, including the source of the advice itself, the way in which it is delivered, and the type of person receiving it.

To follow this analysis up, we have run our own large-scale experiment for AXA. A thousand participants engaged with a scenario where they received financial guidance that could help them earn real money. The results that we summarise here illuminate the destructive effect of delay on taking action, the importance of offering persuasion as well as advice, and the effects of 'financial personality' attributes, like inertia, fear of regret, and risk preference, on whether people take action and the quality of the action they take.

When we conducted our recent review of existing research for AXA, two key issues relevant to action-taking emerged. The first is that giving people information alone is not enough to motivate action – people often have internal barriers to action that prevent them acting in their own best interest. The second is that there are several types of intervention that can increase successful action-taking. These interventions can concern practicalities – such as the whether it is possible to take action immediately – or psychology – such as giving people clear recommendations and motivational persuasion.

We crystallised the issues under consideration by putting forward three hypotheses about action taking in the domain of financial advice:

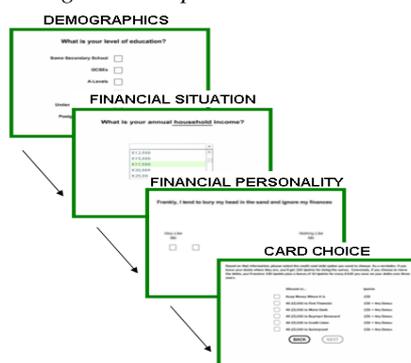
1. The sooner people are allowed to take action, the more likely they are to act.
2. The easier it is to take action, the more likely people are to act.
3. The more persuaded people are to take action, the more likely they are to act.

To investigate these hypotheses, we designed and ran an experiment that tested these hypotheses, and used the results to examine how people vary in the ease with which they take action.

### The Experiment

We set the experiment up to run online, which allowed us to recruit a large number of people from across the UK. We also ensured we recruited people from a wide range of age groups, education levels, and incomes, and that there was an approximately 50:50 split of men and women. In the end just over a thousand people took part.

Figure 1. Experiment Overview



There were four main stages to the experiment (Figure 1). First we asked about practicalities, including age, sex, income; then we asked about financial situation, how affluent people were, and how comfortable they were with the state of their finances. In the third stage we profiled people along a number of finance-related personality dimensions, like impulsivity, risk preference, and propensity for feeling regret. Finally we gave people the option of completing a real-life-style decision, using a straightforward financial services task. Participants had to acquire and process financial information, and use it to decide to which of five hypothetical credit

card they would transfer a ‘virtual’ balance. Participants received real payment in proportion to the money they would have saved by making their choice. The task was designed to simulate a situation in which a person might receive generic advice and would choose whether or not to act on it.

The final stage is where we tested our three hypotheses by giving different participants slightly different information and instructions, and seeing what affected their action taking.

The first thing we varied was when people could act. Half of the participants were able to make an **immediate** card choice straight after completing the first three stages. The other – less fortunate – half were given the same introduction to the task, but were told at the outset that there would be a **two-hour delay** before they could actually make their decision. The delay was set to investigate how handing people off from one adviser to another might affect the rate of action taking, relative to offering people a ‘one-stop shop’ for getting advice and taking action.

The second thing we varied was the amount of advice and persuasion people were given. Everyone was given **information** about the different cards (Figure 2), similar to the kind of information available on price comparison websites, but people in the **advice** condition also received a recommendation ‘You should choose Card X for this reason’ and motivational statements like ‘Most people who made this choice were pleased they had’ and ‘you may regret not taking up the opportunity to earn extra payment’.

Figure 2. All participants received information

**Some Information to Help with the Decision**

Here's some information comparing the five available cards. From the details given below you can estimate how much you'd owe if you re-allocated your debts to the other cards. You currently have all £5,000 of your debt on the Buymart Storecard:

Card	Annual Rate	APR for £1,500	Notes
Value Finance	11.0%	11.0%	17.6% rate on cash advances, 2.75% fee on foreign exchange in both EU and non-EU. No annual fee.
Metro Bank	9.0%	10.9%	Annual fee of £30. Fees include £3 for duplicate statements and £5 for transaction records.
Buymart Storecard	21.5%	21.5%	1 clubcard point for every £1 you spend. Card protection optional at £32/year. No minimum age.
Credit Union	8.5%	8.5%	£12 late payment fee. 3% fee on any balance transfers. Minimum age 18 years. No annual fee.
Societycard	13.5%	13.5%	Minimum monthly payment of £5 or 1.5%. Introductory rate of 2.5% for first year. 17.8% on cash advances.

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### Pilot

We piloted the experiment on a few dozen participants, which is where we found our first interesting results. After people had seen instructions for the card choice task, but before they started the task itself, we gave them a choice. If they wanted to continue and make the card choice, there would be a token charge of 10% of their payment for completing the survey so far. We told participants they could get a bonus of nearly 200% of what they had been paid so far, so it should have been an attractive option to continue and make the decision: even choosing at random they would – on average – end up better off.

Yet almost nobody continued. Although the unanimity of the preference to stick was surprising,

the general idea is exactly what we would have predicted by loss aversion. Losses loom large, and people will actively avoid situations where they may end up worse off. In particular we know that people are often motivated by anticipated regret, and here it seems people were disproportionately influenced by the fear of losing 10% of their payment, even though the potential gains were much higher.

### Who decided to cut and run?

For the main experiment we adapted the design so people did not have to risk any of their payment. Surely, with nothing to lose and much to gain, everyone would choose to complete the task?

Not so. Around a third decided there and then that they would not continue. This was largely unaffected by whether they had to wait or could progress immediately. When we looked at the personality profiles of these people we found that they were two key drivers. Those who did not complete had high levels of *inertia*, and high levels of *innumeracy*. In other words they either didn't want to change things or didn't feel equipped to do so. This is borne out by their own justifications for stopping:

*I don't like to mess around with things like credit cards* (Female, 42, North East)

*Not mathematically minded – wouldn't be able to work it out on my own* (Female, 33, East)

*Not confident about working this out at all* (Female, 55, South East)

*Better to be safe than sorry* (Male, 66, North East)

*I do not understand all the banking jargon* (Female, 37, South West)

These findings suggest that a substantial proportion of the population will not even consider taking action unless one tries actively to overcome their inertia. Similarly, those who are most financially innumerate – and who would therefore benefit from financial guidance – are least likely to engage with finance-related tasks. Innumeracy does not appear to be predicted by low income or wealth.

### Who actually completed the task?

The next issue was whether the people who said they would continue actually did so. Clearly if people could progress immediately we would have almost a 100% completion rate, but what about when people had to wait? Although the delay was only two hours, we suspected that there would be significant drop-out. We also expected that those who had been advised exactly what choice to make, and given persuasion to come back would be more likely to return.

Figure 3 shows that the people who committed to returning actually rarely came back in practice. Only a third of those who did not receive advice came back. However, the return rate did improve when people were also given advice: a clear recommendation for the choice they should make on their return, and motivational persuasion to complete the task. Obviously, we couldn't ask people why they

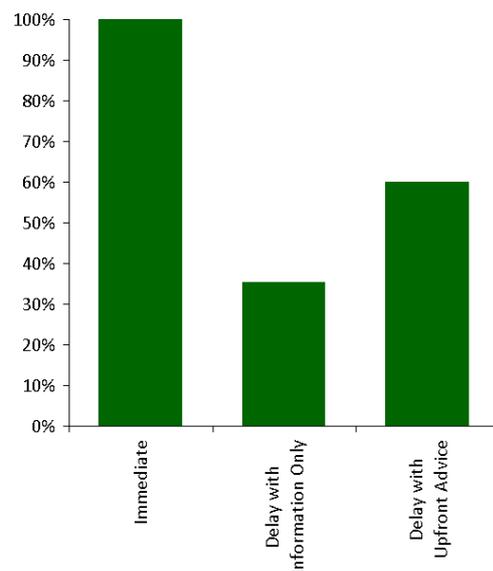
didn't come back, because they didn't come back, but comments from those who decided upfront not to come back implicate practical issues and a psychological aversion to delay – as is well documented in impulsivity and delay discounting research:

*Did not want to come back again - if the info was there - ready to go - I would have carried on* (Male, 32, South West)

*I am unable to review the data on the specified date/time* (Female, 53, South East)

When we looked at the types of people who came back the key driver was being regret-prone, and the main inhibitor was, again, inertia.

Figure 3. Delay Kills but Advice Motivates



These results indicate that, as we would expect, forcing people to wait to take action massively reduces the rate of action taking. But if a delay is unavoidable, it is as important to *give upfront advice*. Finally, pointing out the potential regret one might feel after not acting may help overcome inertia.

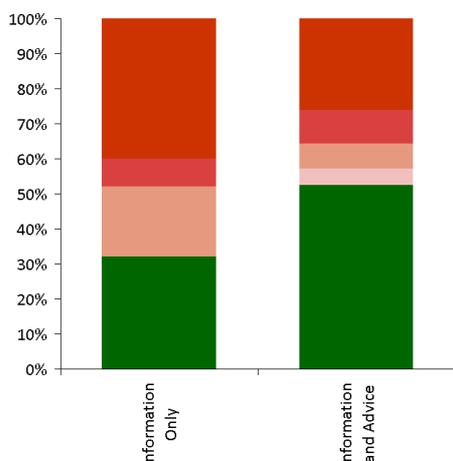
### Who made good choices?

The final issue we investigated was the decision quality: of those who chose a card, how many made the right choice? Figure 4 shows that people were remarkably poor at choosing the best-value card to transfer their balance to. Even though people had all the information available to make the right choice, under a third actually managed it. With advice, this rose to just over a half.

There are two key observations from this result. The first is that people find tasks like this difficult, even when given concise, accurate information. The second is that a large proportion of people do not necessarily follow advice when it is given. This is likely to be for a number of reasons: trusting the source of advice is important, but the degree to which an advice taker sees the advice as tailored for their needs is also likely to be important. We also suspect that advice given by a real person is likely to be much more effective than

written advice delivered remotely over the internet, as was the situation in this experiment.

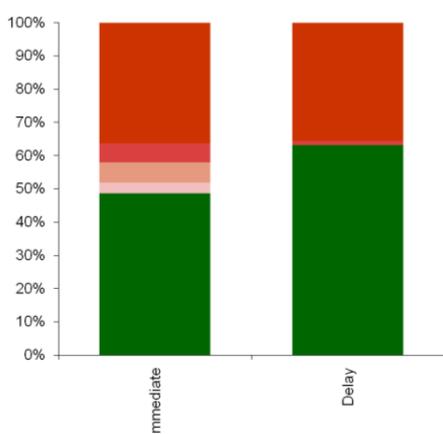
Figure 4: Bad choices, but advice helps



\*Green indicates an optimal choice, other colours indicate choosing one of the suboptimal cards

We also examined the difference in decision quality for the people who completed the task immediately, and those who had to wait. Figure 5 shows that those who had to wait to do the task made better decisions than those who acted immediately. This is intuitive: People who went to the effort of returning later were those who already had a pretty good idea of what they were doing. Those less sure of the correct decision (and who in the real world would benefit most from advice) simply did not come back.

Figure 5: Delay Removes Bad Decision Makers



## Summary of Findings

We tested three main hypotheses in this research, and all of them are supported by the evidence. If people can take immediate action, they are more likely to act; if action-taking is made easier – by giving more explanation, information, or advice – it is improved; and people given persuasion are more likely to act than those given advice or information alone.

A theme running through all our results is that demographics have a relatively small effect on people's behaviour. Instead, we found that 'financial personality' as we call it – including inertia, fear of regret, innumeracy – has much more of an effect on

both the extent to which people take action and the quality of the action they take.

As well as the results we've discussed here, we have conducted more detailed analyses on other aspects of action-taking. From these, with the findings above, we have distilled the following eight findings that we think are most relevant to generic financial advice.

1. **People Hate Risk and Fear Regret:** People forgo big potential gains to avoid situations where they risk losing money and feeling bad about their decision.
  - » Advice can help people overcome their irrational, self-defeating fears.
2. **Saying Isn't Doing:** People who commit to taking action in the near future actually rarely follow through with it.
  - » Any hand-off between advisers that prevents immediate action is likely to increase drop-out rate.
3. **Those Who Do, Can:** The people who follow through on their intentions are those who make competent decisions already and benefit least from advice.
  - » Any hand-off is likely to particularly increase drop-out rate in those who would most benefit from taking advice-based action.
4. **Advice and Persuasion Helps:** Giving people clear recommendations and motivation for acting helps them take action and make the right decisions.
  - » If people need advice for a task involving credit cards – something they relate to regularly – they are even more likely to benefit from advice in less intuitive situations involving long-term savings.
5. **Applicable to All:** Our findings are largely unaffected by demographics so apply to the population in general, not just a particular segment.
  - » That said...
6. **It's personality that matters:** Personality is a good predictor of people's advice-taking behaviour, much better than demographics are.
  - » Advice should be tailored to the individual's personality as much as their circumstances.
7. **Trusted Advice Helps:** A sizeable proportion of people ignored the advice they were given, and increasing trust improved advice taking.
  - » Trust is hard to establish with remote advice. A personal touch is likely to help.
8. **Real World is Harder:** In our task, people did not risk any of their own money – they simply were not willing to do so.
  - » People in real-world advice situations deciding about their own money are less likely to act.