

Information Presentation and 401(k) Plan Choices

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Abstract:

This paper describes the results of an experiment using both a Qualtrics panel of new employees and a sample of business school students in which participants were provided with either a long or short description of a 401(k) plan and asked to choose whether or not they would like to enroll in the plan. If they decided to enroll, they were asked to indicate what percentage of their salary they would like to contribute and how they would like to allocate their contribution between stocks and bonds. The hypothesis was that providing abbreviated information with recommendations would improve employees' and students' choices over providing complete and detailed information. However, controlling for demographic and other factors, this hypothesis was not supported by the data, for either the new employees or the business school students. Thus, the data do not support changing plan presentation in this way to improve employees' retirement plan choices.