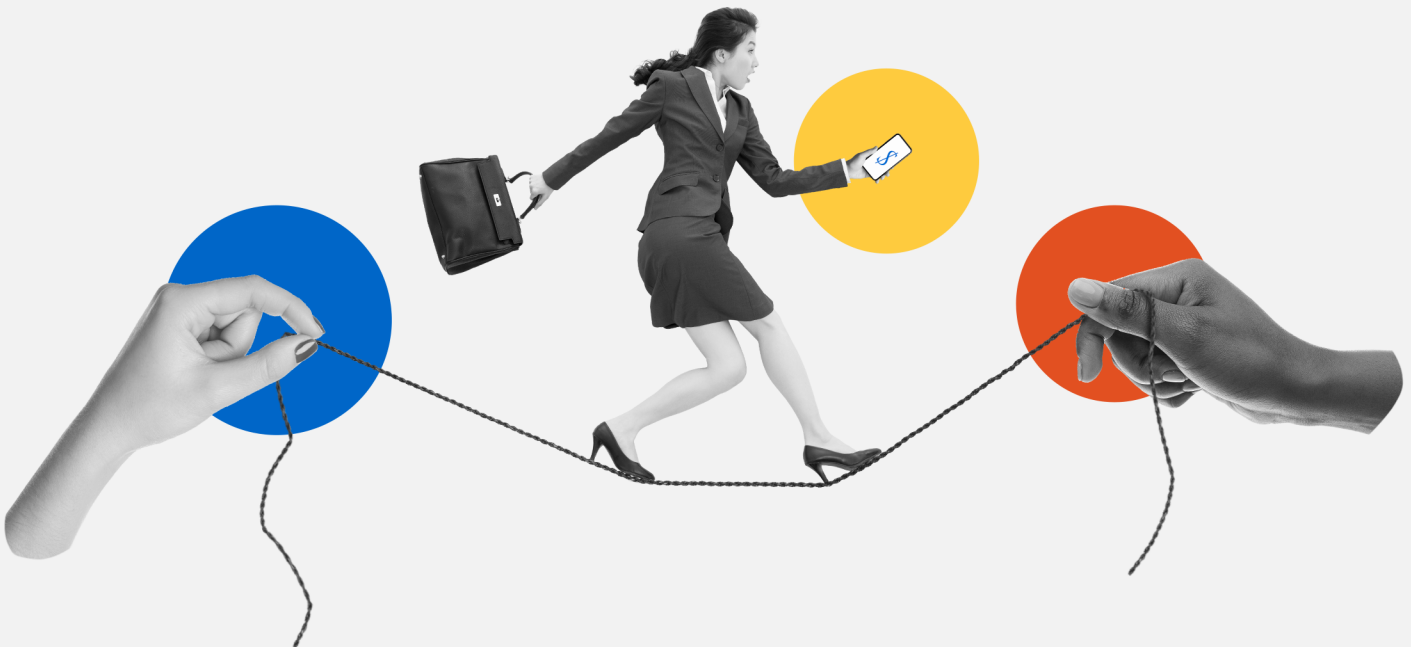


BRIDGING THE GAP: INCREASING LONG-TERM DIGITAL SAVINGS THROUGH A FUTURE-SELF INTERVENTION

BE*works* CASE STUDIES / FINANCIAL SERVICES



Bridging the Gap: Increasing Long-term Digital Savings Through a Future-self Intervention

Background

People are living longer than ever now. To put this into perspective, in the 1950s, the average life expectancy was around 60 years of age. Today we can expect to live until the age of 80.¹ But despite this great stride in healthcare and medicine, our retirement savings have not been met with the same exponential growth. According to the US Federal Reserve Survey of Consumer Finances, as of 2019 Americans had, on average, a modest \$65,000 in their retirement accounts.² When we adjust for inflation, this amount drops to \$39,668 in twenty years' time. People are aware of the problem, with 41% saying it would "take a miracle" to be financially secure in retirement.³ So, what is stopping us from saving more?

UCLA psychologist Hal Hershfield suggests the answer lies in temporal discounting—our tendency to perceive a desired result in the future as less valuable than one in the present. Research shows that present rewards tend to feel more arousing and emotional than future rewards do.⁴ In addition, people struggle with knowing how they will think and feel in the future, be it twenty years out or just a matter of weeks away.⁵

When people do save for the future, they tend to save in order to spend. This explains why people are more likely to save for a trip to Hawaii than to commit the same amount of money to retirement savings. Saving to spend is a predictable behavior because it is easier for people to visualize tangible rewards when the time horizon is short. Rewards are more abstract, and less tempting, the further off they are in time.

In one of his most famous experiments, Hershfield demonstrates that the reason for this disconnect is that we feel as emotionally connected to our future self as we do to a stranger. To bridge this gap between our present and future selves, called the *empathy gap*, Hershfield and his team enabled people to interact with realistic,

1 Roser, M., Ortiz-Ospina, E., & Ritchie, H. (2019, October). Life expectancy. *Our World in Data*. <https://ourworldindata.org/life-expectancy>

2 Neil Bhutta, E. A. (2020, September). Changes in U.S. family finances from 2016 to 2019: Evidence from the survey of consumer finances. *Federal Reserve Bulletin*, 106(5). Board of Governors of the Federal Reserve System. <https://www.federalreserve.gov/publications/files/scf20.pdf>

3 Goodsell, D. (2021). *2021 Retirement Index*. Natixis. <https://www.im.natixis.com/us-offshore/research/2021-global-retirement-index>

4 O'Donoghue, T., & Rabin, M. (1999). Doing it now or later. *American Economic Review*, 89(1), 103–124.

5 Hershfield, H.E. (2011). Future self-continuity: how conceptions of the future self transform intertemporal choice. *National Library of Medicine*. <https://doi.org/10.1111%2Fj.1749-6632.2011.06201.x>

aged-progressed avatars of themselves using immersive, virtual reality hardware. They found that people who interacted with their aged avatars saved twice as much as people who interacted with images of their current selves. Later experiments using virtual decision tools also showed significant increases in savings when people interacted with aged renderings of their future selves.⁶

Hershfield's solution to an age-old problem works because it helps people feel empathy for their future selves. This is but one way that organizations can encourage people to make significant decisions aimed at the long term. In partnership with some of our clients, BEworks has been exploring other approaches that can help people bridge the empathy gap and save for the long term.



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<sup>6</sup> Hershfield, H. E., Goldstein, D. G., Sharpe, W. F., Fox, J., Yeykelis, L., Carstensen, L. L., & Bailenson, J. (2011). Increasing saving behavior through age-progressed renderings of the future self. *Journal of Marketing Research*, 48, S23–S27. <https://doi.org/10.1509%2Fjmk.48.SPL.S23>



## Challenge

A multinational financial services company wanted to get people to save more for retirement and was in the early stages of creating a mobile savings app with this goal in mind. While they were confident that people would download the app, they were not sure if people would use it to maximize their retirement savings. In partnership with BEworks, this company set out to develop a behavioral approach to help people maximize their retirement savings through the app.

## Our Approach

We identified four main behavioral barriers that could get in the way of people saving for retirement. Chief among these was that **people felt that their future self was a stranger.**<sup>7</sup> This mindset gave rise to three sub-barriers to saving for retirement: low urgency, perceived hassle costs, and satisficing.

### 1. Low Urgency

Commonly known as procrastination, people are particularly likely to put off something like saving for the future because the future is distant, and saving doesn't feel like a pressing need compared to the more immediate and salient needs of the present self.

### 2. Perceived Hassle Costs

People overweight immediate experiences and want to avoid losing time or money *now* even if it could secure future gains. When people anticipate setting up a new investment account on an unfamiliar platform, they anticipate that it will be a painful and time-consuming process. Though this work would help them secure increased returns in the long run, it could feel like wasted effort on behalf of a "stranger."

### 3. Satisficing

"Satisficing" refers to people's tendency to do the bare minimum so that they feel as though they are moving toward their goal but, at the same time, aren't wasting too much time and energy doing so. If you think back to your days as a student, you will likely notice some satisficing behaviors. Recall when a big test was coming up; perhaps there were times when you spent a considerable amount of effort setting up your study plans and prepping your study space, but when it came down to actual studying, you spent little time on the material. That extra time in "preparation" mode created a feeling that you'd put a lot of effort in, when in reality, you didn't actually study all that much.

With these barriers in mind, we set out to tackle the foundational barrier that people lack empathy with their future selves. We expected that if we could figure out a way to **bridge the gap between their future and present selves**, urgency would increase, anticipated hassle would be less of a roadblock, and people would save more generously for the future.

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<sup>7</sup> Hershfield, H. E. (2011). Future self-continuity: How conceptions of the future self transform intertemporal choice. *Annals of the New York Academy of Sciences*, 1235, 30–43. <https://doi.org/10.1111/2Fj.1749-6632.2011.06201.x>



## Solution

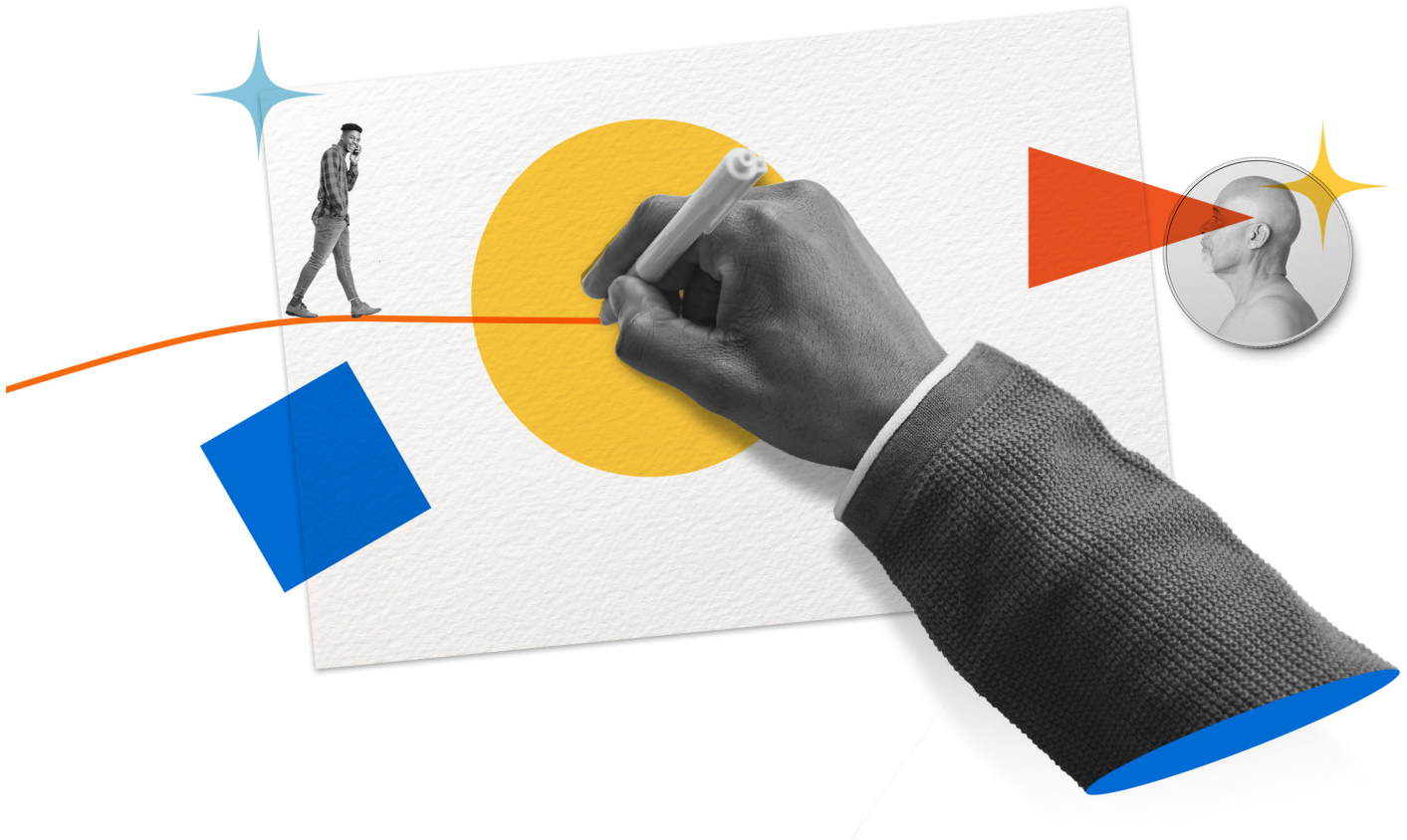
We approached this challenge by simplifying Hershfield’s virtual reality solution to determine whether it is possible to bridge the empathy gap through simpler, lower fidelity means that would be easier for our client to implement. Our solution consisted of a specially designed set of questions aimed at helping people do “mental time travel,” albeit without virtual reality. The questions were embedded into the onboarding experience of the app and guided people through an image selection experience in which they imagined their future interests, behaviors, and values. They completed this thought exercise several times so that they could imagine their likely future behaviors using concrete imagery.

To determine whether our solution was in fact effective, we ran an online panel experiment in which a control group was asked to set up an automatic savings amount, a standard feature in savings apps that establishes a default. Those in a test group were asked to do the same thing, but before making that decision, they went through the short mental time travel experience aimed at bringing them closer to their future selves.



## Did it work?

Yes! We found that the mental time travel experience brought people closer to their future selves and that this meant they were willing to save an average of almost \$60 more per week, equating to \$3,000 more per year on average per client. Just imagine the type of retirement lifestyle possible with a \$3,000 annual bump in one's savings account!



## Real-world applications

A key take-away from this work was that even with a simplified version of the original solution, one relying on a couple of questions about a person's future self, people were able to substantially increase their savings. Insight provided by this work gave our client the strategic direction they needed to allocate more time and resources to building a higher-fidelity experience which we expect would have an even greater effect on savings behaviors.

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Interested in how BEworks can help you?

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