

Using Behavioral Science to Increase Retirement Savings

A new look at voluntary pension contributions in Mexico



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About ideas42

At [ideas42](#), our mission is clear: to use the power of behavioral science to design scalable solutions to some of society's most difficult problems. We are a non-profit organization working globally in areas that include consumer finance, education, economic opportunity, energy consumption and environmental conservation, healthcare, and criminal justice. ideas42 applies the latest research on human behavior to improve policy, program, and product design. We educate decision makers and leaders about the power of behavioral science and how to apply it. We invent new products that draw on behavioral insights.

The consequences of the behavioral issues we tackle are often profound. A failure to adhere to medication can be life-threatening. Dropping out of school can prevent a person from achieving her potential. Not saving early and consistently can greatly diminish quality of life in retirement. All too often, the reasons for these failures turn out to be small and remediable—but also usually overlooked or dismissed as unimportant. Our approach involves carefully diagnosing the behavioral issues that prevent otherwise well-designed programs and products from achieving their goals. We identify subtle but important contextual details that can influence behavior, and design innovative solutions that help to overcome or amplify their effects.

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Introduction

We all deserve a dignified retirement, yet for many of us saving enough remains an obscure, unrealized goal. In an ideal world, planning for our retirement would begin with our first job, continue throughout our working years, and end in sufficient savings for a comfortable future. This pathway may be possible for the few among us with employer-provided pensions, where someone else handles all the planning and saving. Yet trends in the retirement savings landscape have moved away from these types of pension schemes. This shift has in part been influenced by assumptions about human behavior that aren't always accurate.

What is behavioral science?

Behavioral science is the study of how people make decisions and act in a complex and textured world where details matter. It draws from decades of research in the social sciences to create a more realistic model of how we view people. The standard approach to predicting human behavior suggests that we consider all available information, weigh the pros and cons of each option, make the best choice, and then act on it. The behavioral approach shows us something different. We make decisions with imperfect information and do not always choose what's best for us. Behavioral science has been used across a variety of fields to realign policies, programs, and products with how we really behave, improving outcomes for millions of people worldwide.

Traditional models of human decision-making suggest that we seamlessly consider all of our options and choose to do what's best for ourselves. However, when it comes to complex decisions, including those around retirement savings, this model often doesn't predict what actually happens. We may think that having more choices is better, when in fact too many will overwhelm us. We assume that people will prioritize and complete important tasks, but we're equally likely to procrastinate or forget to do them altogether. Other daily demands and temptations compete for our attention even when we're confident that they won't.

In Mexico, to assist with the difficult task of preparing for retirement, the equivalent of 6.5% of a worker's salary is directed to an individual retirement account. These mandatory contributions are mostly paid by employers, with employees and the government supplying a much smaller portion of the total.¹ Under this system, which began in 1997, workers can expect to receive less than 40% of their current salary in retirement. But this system only covers the formal sector—those workers who have registered, salaried jobs. The amount received in retirement will be much less for the 60% of Mexicans who are unemployed or in the informal sector at any given time and only receive these contributions if and when they are formally employed.²

With low mandatory contribution rates, achieving a comfortable retirement hinges on individuals taking the initiative to voluntarily make additional contributions to their retirement accounts. To increase voluntary contributions, the government recently improved accessibility by enabling deposits from retail channels, including 7-Eleven stores and Telecom Telégrafos branches. However, only 0.3% of the 19 million active retirement account holders in Mexico make voluntary contributions.^{3,4} This figure becomes even smaller when including the tens of millions of Mexicans, mostly informal or independent workers, with inactive retirement accounts.

These new accessibility initiatives address crucial structural issues. However, a more comprehensive approach informed by a nuanced understanding of how people behave and make choices about their finances in the real world is needed to increase voluntary retirement savings. Adopting a behavioral science approach helps us depart from the traditional model of human decision-making and see the problem from an entirely new perspective.

In this report, we uncover and explore the critical factors driving low levels of voluntary contributions in Mexico by applying our unique behavioral methodology and problem-solving approach. What follows is the result of this work: an overview of the key behavioral factors influencing low voluntary contributions followed by illustrative, high-level solutions to overcome them.

Further Reading**The Mexican pension system landscape**

The Mexican government has taken a variety of positive steps towards helping citizens plan for retirement. Starting in 1997, the pension system transitioned to a more resilient and economically sustainable model that also dramatically increased the number of retirement account holders.

Under the new system, individual accounts are managed by private retirement fund administrators known as Afores (Administradores de Fondos para el Retiro) and regulated by the government commission CONSAR (Comisión Nacional del Sistema de Ahorro para el Retiro). Afores compete for new customers by offering higher net returns to their clients, and as a result, serve as valuable savings options for Mexicans.

The system requires that employers direct the equivalent of 6.5% of an employee's salary to her individual retirement account during each payroll. The employer pays 5.15% of this mandatory contribution, the employee pays 1.125% (deducted from their salary), and the government supplies the remaining 0.225%.⁵ Forecasts show that the average worker making minimum contributions within this system will receive a monthly pension of less than 40% of their current salary during retirement, roughly half of the recommended amount.⁶ This prediction is in fact optimistic, as many workers weave in and out of the formal employment system and therefore do not consistently benefit from mandatory contributions. At any given time, roughly 60% of the Mexican labor force is unemployed or works in the informal economy, with some never entering the formal sector at all.⁷

Low mandatory contribution rates mean that successful retirement planning depends on individuals voluntarily making additional pension contributions. In an effort to increase the ease with which individuals can make deposits into existing Afore accounts, Mexico has added the ability to make voluntary contributions at common retail outlets, including 7-Eleven stores and Telecomm-Telégrafos branches. However, there is more work to be done. Current data show that only 0.3% of the 19 million active account holders make a contribution in a given year, not including the tens of millions of account holders with no activity at all.^{8,9} Low voluntary contribution rates could perpetuate the high rates of poverty among the elderly (27%¹⁰) and continue the cycle of inadequate retirement preparation.

Behavioral Barriers to Saving for Retirement

At ideas42, we use insights from behavioral science to solve complex social problems. In this case, we applied our behavioral expertise to examine the problem of low voluntary retirement contributions in Mexico. To generate these insights, we used our proprietary “behavioral mapping” process to examine the key psychological and situational features that may discourage saving for retirement in Mexico. As part of this process, we interviewed over 100 account holders across three major cities and spoke with Mexican pension system stakeholders and other experts. We also reviewed and analyzed the pension system’s outreach materials, processes and administrative data. The behavioral insights we uncovered are detailed below.

The Path to Retirement Savings

The decision-making process around retirement savings may seem simple. People decide to save, and then take steps to do so. However, this process is almost always more complex. The path we take is filled with small obstacles that can prevent us from reaching our savings goals.





No visible cues to consider retirement

With all that we have going on in our day-to-day lives, it's impossible to pay attention to everything.¹¹ Naturally, we focus most of our attention on what's in front of us (and most pressing). Without a specific cue to direct our attention towards something, we may never start actively thinking about it. We receive many cues in our daily lives, from bills that arrive in the mail to the gauges in our cars that remind us to refill the gas tank.

When it comes to thinking about our retirement plans, there aren't many such cues.

While automatic enrollment in a retirement plan helps us save by overcoming demands for our attention and removing the need to take active steps to save from our daily lives, problems arise when the automatic system doesn't set us up to save enough. In Mexico, where automatic mandatory contributions aren't sufficient, account holders need to take additional steps to save enough for their futures. However, because these mandatory contributions are automatically withdrawn each month from paychecks, account holders are only sporadically prompted to actively think about their retirement, let alone the other steps necessary to secure their financial futures.

In addition, we as individuals don't see others around us taking action to save for the future. We often look to what people close to us are doing as an indication of how we should act. This perception can exert a powerful influence on our own behavior—a phenomenon psychologists call *social proof*.¹² Yet savings behavior is hard to spot; it occurs privately, either at home or at the bank.

On the other hand, spending can be a highly public behavior.

We shop and make purchases in the presence of others. Instead of seeing people make voluntary retirement contributions or engage in another form of longer-term savings, account holders watch others spend money on entertainment, food and clothing for their families, and so on. They may perceive their peers to be “living in the moment”, without concerning themselves with the details of retirement. Taking social proof into account, if all we see are others spending, it's natural to assume that we should be, too.

While the perceived norm in Mexico is one of living in the moment, many account holders are in fact worried that they aren't saving enough for retirement. They privately harbor some degree of concern regarding their retirement savings, but seeing others embrace a spending culture encourages them to push financial doubts aside.¹³

“
Unfortunately not,
I think no one [I know]
is preparing for their
retirement. People
don't give that
much importance
to it.”



Immersed in the here and now

In the event we do manage to direct some of our attention to retirement, we still might not begin to save at that moment. Driving this behavior is the fact that we're *present-biased*: we think an immediate reward is more attractive than the same (or better) reward in the future.^{14,15} Think about going out to dinner on a Friday night: in the moment, we may decide to order pizza and tell ourselves we'll eat a healthy salad later, even if a few

days earlier the salad sounded better. In one experiment examining this tendency, participants preferred

to receive \$20 now rather than \$50 one month from now. The preference shifted to \$50 only when there was an added time delay to receive both rewards (e.g., \$20 in one year or \$50 in two years). The results show that while we may prefer the larger, more delayed reward when both alternatives are far off in the future, we may choose the smaller, sooner reward if it's offered to us in the present.¹⁶

**“
We don't have it
[our retirement
plan] very
visualized right
now.”**

While the tendency to be present-focused can help us avoid feeling overwhelmed by the details of the future, the magnitude to which we do so can be damaging in the long run.^{17,18} Retirement planning is a prime context for present bias to flourish—the reward is far off, the task can be unpleasant or challenging, and thinking about it can elicit negative emotions.

Because we focus too heavily on the present, we may not think to engage in any form of saving for the future. If we *do* save, our short-term savings goals often trump any long-term savings intentions. In fact, we discount the future benefits of saving so much that setting aside money now can actually feel like we're losing it.¹⁹ This feeling of loss can intensify as we get closer to following through on our long-term goals, drowning out the potential future rewards. As a result, our bias towards the present may lead us to choose inferior savings options with upfront rewards, but lower future earnings.

At the root of present bias is the manner in which time alters our perceptions. When we think about the distant future, our mental representations are often abstract and vague, whereas our mental representations of the near future are concrete and vivid.^{20,21} Consider going on vacation. Once the trip is booked, we spend the next few months thinking about all the activities we could do when we're there. We create blurry mental images of beaches, restaurants, and the hotel. As the trip approaches, our thoughts shift to logistics and become more concrete. How early do we need to leave for the airport? How will we get from the airport to the hotel? What do we need to pack? Our mental image gradually becomes more detailed as we get closer to leaving.

Because our retirement is far away, we have difficulty explaining what it might look like with any level of detail.^{22,23} In the absence of a clear picture, it's difficult to start planning. Together, present bias and a hazy future can help explain why we consistently under-save for retirement.



Uncertainty about the future discourages action

Our future is unknown, and thinking about it is not always pleasant. Retirement can bring up thoughts about old age, lower living standards, and an overall feeling of uncertainty. This unease and uncertainty may elicit two conflicting responses: either discomfort that we try to hide from or over-optimism. Though they're different, both reactions can encourage us to procrastinate and ultimately refrain from taking action.

**“
I think that a person is
hardly thinking about
retirement because
we're procrastinators;
we put what's most
important off to
the side.”**

We tend to avoid unpleasant tasks, especially if we feel ill-equipped to handle them on our own.^{24,25} If we don't think we have room in our budgets to save, feel overwhelmed by the number and complexity of decisions, or believe that saving a small amount won't matter, we can feel helpless and shy away from thinking about retirement all together.

On the other hand, we may also avoid retirement planning because we're overconfident—that is, we believe that we'll be able to achieve our goals regardless of the obstacles. *Overconfidence* is endemic among us: most of us think we have better than average driving habits,²⁶ that we eat less red meat than others,²⁷ and that our business ventures are more likely to succeed.²⁸ We can justify our lack of retirement preparation by convincing ourselves that things will just work out in our favor, or that we'll be able to cope with any situation that arises. We may believe that we'll be able to save enough for retirement regardless of when we start.



Afores aren't included in the choice set

When Mexicans *do* think about retirement savings options, Afores may not come to mind. Currently, outreach from Afores to inform and remind account holders that they are a valuable savings option is limited. As a result, account holders may never form a distinct *mental model*—an image or representation of how something functions in the real world—of Afores and the services they offer.²⁹ In fact, some account holders don't even know basic details such as which Afore they belong to or the availability of voluntary contributions. Lacking a mental model of Afores, account holders are unable to consider them as a retirement savings option.

Even when account holders are exposed to Afore outreach materials, the content is often too complex to be useful. They contain industry jargon and complicated percentages that can be difficult to follow. This can leave account holders with an ambiguous understanding of Afores and the value they provide, further preventing the creation of a clear mental model. As humans, we're largely averse to any form of ambiguity.^{30,31} Overall, this confusion can increase the likelihood that account holders don't include, or outright reject, Afores as long-term savings options when prompted to consider their choices.

When lacking clear sources of information, we often rely on alternatives to help dispel confusion. These can be friends, family, or coworkers who offer subjective anecdotes, some of which may be negative. Behavioral research reveals that we're especially likely to pay more attention to and recall negative information.^{32,33} Negative stories, such as a friend who had trouble accessing unemployment benefits that accompany mandatory retirement contributions, can override positive anecdotes or experiences and color perceptions of Afores. The lack of understanding and an emphasis on the negative can foster mistrust in the Afore system.

This combination of limited exposure, complexity, and negative perceptions leads account holders to favor more familiar savings options. Alternatives such as keeping money at home, in short-term savings



If an emergency or something else comes up, and in that moment you don't have the money, you could've used what you had invested. But you can't use this money for many years..."

accounts, or business inventory are more accessible and tangible than saving with an Afore. Account holders regularly make this tradeoff, sacrificing greater future returns from Afore accounts for familiar mechanisms offering instant access.³⁴

The preference for more accessible and concrete savings vehicles becomes stronger for those concerned about emergencies or unforeseen events. Our fear of losing liquidity in the present may prevent us from saving in long-term vehicles, even though doing so could provide more money in the future. While short-term savings, like an emergency fund, are important, we run into problems when they consistently replace any form of long-term savings.

Further Reading

What's left over

Many of us engage in a process called mental accounting.³⁵ We mentally separate our money into groups and assign them different functions. These “accounts” can span a wide variety of purposes. We may have a mental account for our bills, housing, entertainment, and so on. Many of our accounts are often devoted to spending, while relatively few are devoted to saving. In some cases, we may not have any that are specifically for retirement.

Among account holders, mental accounts for saving are often limited to “what’s left over” at the end of the month. When making spending decisions, the alternative choice to spending—save the amount in question—is rarely considered. For example, when deciding whether to purchase a new television, account holders may not consider the tradeoffs between buying the television now and saving that money for the future. Instead, the decision becomes whether to buy the television now or spend that sum on *something else*—not if, but how. Saving only becomes an option once all spending is finished. By applying the mental label of “what’s left over”, saving becomes a passive and less definitive action, if we even feel the need to save at all.

Building a Better Retirement through Behavioral Designs

Solutions are most effective when they are designed for people as they really are, rather than as we imagine they *might* or *should* be. Using a deeper understanding of retirement savings decisions and actions in Mexico, we designed a variety of behavioral solutions to increase voluntary retirement contributions. These designs often address many of our diagnoses simultaneously, and we recommend combining ideas to create a robust package tailored to each stakeholder (Afores, CONSAR, retail channels, employers, or others). Overall, the designs have two main objectives: to eliminate the gap between account holders' intention to save for retirement and actually doing so, and to encourage regular voluntary savings behaviors.

From Barriers to Solutions

Behavioral solutions often address more than one barrier. The figure below shows how we can maximize the potential for impact by designing solutions that tackle multiple behavioral barriers at the same time.

BEHAVIORAL BARRIERS



BEHAVIORAL SOLUTIONS



The sections below describe our high-level design recommendations for future interventions. These include making retirement feel vivid, and making the process of saving for it effortless, commonplace, and seem less like a loss in the present. We also provide ideas for establishing new habits among key staff at Afores, retailers, and employers, as well as for bundling enrollment with existing government processes to increase the number of account holders. These are meant to be illustrative of the design options with the highest potential for impact, rather than an exhaustive list.



Make retirement savings automatic and effortless

Our attention is a scarce resource. With important competing demands appearing day in and day out, such as upcoming bills, family, and work, it can be difficult for us to prioritize and follow through on saving for retirement—something that might be decades away. Given our limited attention, it's important to make saving as simple as possible.³⁶

One of the best ways to do this is to automate savings. Imagine a system that is similar to that of the mandatory contribution process in which account holders could link paychecks to their Afore accounts and immediately transfer a given percentage as a voluntary contribution. By automating the action of saving, preparing for retirement would require minimal thought and effort—if any—from account holders. When automatic deductions aren't possible at the employer-level, the next best option for formal sector employees (and the only option for banked informal workers) is the Afores' automatic savings product that makes regular post-paycheck deductions. This option reduces effort; however, account holders would be able to see the transfer of funds from their own bank accounts to their Afore account. With a post-paycheck deduction, the decrease in bank account balance following the automated transfer would be salient to the account holder and may strengthen feelings of loss, especially when compared to a transfer of funds before they ever reached a bank account.

There are multiple ways to enroll account holders in an automatic contribution system, and maintenance would be simple after the initial set-up. Specifically, we could increase take-up by incorporating defaults, which have proven successful in a wide variety of retirement contexts.^{37,38} Employees would be automatically enrolled in the system unless they actively choose not to participate (i.e., opt-out). We could also provide account holders with a personalized default contribution rate based on their current salary that would help them ultimately increase their retirement income.

Some of us may be hesitant to actively enroll in an automatic contribution system. We may feel like we're losing control of our finances, believe that now isn't the best time to save, or fear that we'll need that money for an emergency. Behavioral modifications could make automatic voluntary contributions more approachable. For example, research shows that offering an option to sign up now for a savings plan that starts at a later point in time (i.e., delayed savings) increases take-up rates.³⁹ Offering a delayed start could also be particularly effective at specific touchpoints, such as unemployment and marriage, where account holders are able to withdraw funds from their Afore accounts and would likely be more willing to commit to future contributions.⁴⁰ Individuals may acknowledge the importance of saving for retirement and have the intention to do so, but starting in a few months may seem more feasible than starting right now.

Adding a "trial period" for account holders to start off with a small contribution that gradually increases may foster comfort with an automatic system and increase the likelihood that account holders enroll.⁴¹ To dispel concerns over unforeseen expenses (e.g., what if during one month I need the money for something else?), a "cancellation period" during which transfers could be stopped before they occur could also help reassure account holders. For this to work most effectively, it should be possible, but neither too easy nor too hard, to cancel a transfer in a given month.

When linking paychecks or bank accounts to automatically deposit into Afore retirement accounts is not possible, we could simulate automatic savings by pairing it with actions people already carry out in their daily lives, such as paying utility bills or buying mobile phone minutes.⁴² Account holders could choose to round up bills by a specified amount and automatically transfer those extra funds to their Afore accounts.

By combining retirement savings with common activities, we would reduce the hassles and barriers for accounts holders to make voluntary contributions.



Make retirement feel vivid

For the majority of us, retirement remains a distant and hazy concept. However, recent research has revealed methods to help bring retirement into focus. In one innovative lab experiment, participants who saw a digitally-aged image of themselves chose to allocate more money for their future.⁴³ We experimented with a simpler, more scalable version of this idea: a brief list of questions guiding account holders to better envision their retirement. Prompts such as “Where will you live?”, “What hobbies will you have?”, and “What will a typical day look like?” help individuals develop a more complete and concrete vision of their future. Answering these questions lessens the perceived distance between now and retirement, setting the stage for individuals to take action to achieve those visions.

As we led account holders through this “visualization exercise” during our interviews, we watched as they rapidly transitioned from having vague images of their futures, if any, to realizing the important need to start planning. It revealed their desire to prepare for retirement and strengthened their intentions to save at that moment in time. Strategically placing visualization prompts before an account holder completes a retirement-related decision or action has the potential to greatly enhance take-up of Afore services, including automatic savings. When an automatic product isn’t possible, these questions could also be placed before planning exercises that nudge account holders to think through how and when they’ll make regular voluntary contributions.^{44,45}

Retirement could also feel more tangible and personally relevant after introducing goal-setting activities. Having clear and precise goals enables us to set an intention for our future that we can purposefully work toward achieving.⁴⁶ Goals could be monetary (e.g., ability to spend more per month during retirement), material (e.g., purchases desired in the future), or experiential (e.g., lifestyle to achieve). Partitioning accounts to reflect goals has proven effective at increasing short-term savings rates.⁴⁷ We could apply this insight to create a more simple intervention in which individuals use their personal goals to label their Afore accounts. Additionally, personalized reminders encouraging meaningful action to reach savings goals have been shown to increase short-term savings rates, and could be effective for long-term savings too.⁴⁸

Forming specific goals can also provide an opportunity for feedback, alerting us if we’re on track to accomplish our objective. Feedback could take forms such as real-time SMS messages detailing how close we are to achieving a goal, a digital image that gradually fills in with each contribution, or an online progress meter. Providing feedback throughout the process can serve as a cueing device that strongly shapes our actions and improves our performance.⁴⁹



Lessen the feeling of loss

While we may see that long-term savings is beneficial, setting aside money that we can’t access for decades can be frightening and even painful. Saving for retirement may actually feel more like a loss now than a gain for our future. Therefore, successful designs should seek to mitigate the negative feelings of not being able to spend that money now and heighten the positive feelings associated with a comfortable financial future.

One way to lessen this feeling of loss is to make saving for retirement feel rewarding in the present. Saving can feel rewarding now when deposits are tied to actual benefits, such as points for prizes, discounts,

or entrance into a recurring lottery. Account holders could also feel motivated and gratified by real-time text messages congratulating them after each deposit.

Another method is to make distant future rewards *feel* more tangible in the present by highlighting the potential benefits of saving early for retirement. This can be done by re-framing current messaging to alter existing mental models or create new ones. Our interviews, for example, uncovered a strong existing mental model around the tension between family values and retirement savings.

For some account holders, putting aside money into a personal retirement account instead of using it for the family is seen as a selfish act. Wording and images could re-frame retirement accounts as investments in a family's future (e.g., "save now so your children only have to support their own kids in the future").

Account holders also revealed existing mental models around the amounts that are appropriate to save in a bank or an Afore. Specifically, many reported that the money left over at the end of the month wasn't substantial enough to save in a long-term account. Showing how those small quantities make a difference in the long-run can help account holders begin to recognize these small savings opportunities (e.g., telling account holders they could go to "X" more movies in the future by consistently putting away the price of one ticket into savings today).

Finally, we could foster new mental models around the benefits of voluntary pension contributions by creating simple materials illustrating compounding interest across different savings vehicles (e.g., in short-term savings accounts, business inventory, or the home). The benefits could be further emphasized by framing current deposits in terms of future spending. Showing account holders concrete examples of the items or experiences they could purchase later, including potential monthly spending amounts, would be easier to visualize and more motivating than simply including the total sum of money they could have in retirement.⁵⁰



Make retirement savings visible and commonplace

We look to the people around us for guidance as to what decisions we should make and how we should act. Designs could leverage the power of social norms by revealing that most account holders within a given community believe they should save more for a comfortable retirement. Making these beliefs more salient could correct the perception of the norm and create a new focus on long-term savings. Channels such as 7-Eleven and Telecom provide a promising avenue to increase the visibility of savings actions. For example, we could create campaigns to establish a monthly "Afore day" on which account holders would be encouraged to make contributions through those convenient access points.⁵¹ This would correspond to common pay cycle dates, when account holders are more likely to have funds available. Promoting contributions on a specific day would diminish the private nature of savings, and instead make it more visible to the public. Seeing or hearing about others within the community contributing may make account holders more inclined to save, too. Not only would an Afore day draw attention to retirement savings, but it could also serve as a timely reminder to save.



I don't feel as proud to save...I feel more satisfied that a peso that comes into the house goes toward the children or to the home."

Despite their high potential for impact, interventions incorporating social norms around financial wellness should be designed carefully. Recent field experiments providing employees with information about their peers' savings behavior actually resulted in decreased savings rates for many workers.⁵² Comparing low-saving employees with their higher-saving peers may act as discouragement, reminding them of their financial struggles, rather than as motivation. In order to decrease the potential for negative impact, messages should reference a group that the audience can relate to (e.g., someone of a similar income and lifestyle), avoid content specifying the amount that people save, and instead focus on the shared desire to save for an enjoyable retirement.



Establish new habits among staff

Many of the ideas listed above, such as entrance into a recurring lottery and sending timely reminders and feedback, will help to promote a new savings routine. However, fostering new habits is not only important for account holders. While most of these solutions are indeed tailored to them, those who engage directly with clients (including Afore and retail outlet staff, employers, and others) are in a unique position to generate positive behavior change. Their direct interactions with account holders are integral to many of the designs encouraging voluntary contributions, yet employees are often habituated to previous processes. They have been trained to behave in a certain way with customers, and after countless repetition this training becomes an effortless habit. Therefore, adoption of new interventions for account holders will also require promoting new habits among employees.

Behavioral science has been used to effectively shape the processes and practices that employees follow, nudging them from their previous habits into more efficient or higher impact behavior. Checklists, which break down the desired action into simple steps and serve as easy references, have been effective across a wide variety of settings. For example, an intervention which had intensive care unit physicians utilize a checklist resulted in a 66% reduction in infection rates.⁵³ Pre-written scripts or even carefully crafted handouts can also guide staff in their conversations with account holders. Finally, sending reminders, creating small competitions, and even offering prizes among staff have been shown to greatly improve achievement and output.⁵⁴



Bundle enrollment

The first step to begin saving in an Afore is opening an account. For those working in the formal sector, this is an easy process—enrollment is generally automatic, and mandatory contributions are deducted from paychecks. On the other hand, workers who remain in the informal sector must initiate the enrollment process and make all account contributions themselves. Considering the behavioral barriers to saving outlined earlier (e.g., limited attention, a focus on the present, or a vague visualization of the future), it's not surprising that very few informal workers have taken the necessary steps to enroll in an Afore and make regular contributions.

While most of the workforce—almost 54 million people—have accounts, lack of enrollment in an Afore remains a huge obstacle in the path towards a dignified retirement for millions of Mexicans.⁵⁵ However, there are ways to facilitate enrollment for the workers not currently signed-up for an Afore. For example, enrollment can be bundled with existing government processes, such as applying for a driver's license or signing up for Mexican Social Security Institute (IMSS) services.^{56,57} By automatically linking enrollment with a national, widespread action, the full responsibility would no longer fall on informal or unemployed workers to initiate this process themselves.

Bundling enrollment with a government milestone or routine process would also increase the visibility and open the conversation around retirement savings, thereby helping to establish the expectation for the need to save and tackling the misperception that others are not concerned about their financial futures. Additionally, combining the opening of an Afore account with a common event would capture those who currently may feel that they don't belong in a group that saves for retirement, whether it's because they identify as an informal worker who isn't supposed to have a retirement account or as someone who doesn't earn enough money to save. Expanding the base of the labor force that is enrolled in an Afore is an important step towards ensuring that every individual, whether formally or informally employed, has an equal opportunity to benefit from the pension system.

Summary of Design Principles

The following table presents a summary of the behavioral design concepts and illustrative examples of how they could be applied. A more detailed description of each concept can be found in the corresponding design sections.

Design Concept	Description
 <p>Make automatic and effortless</p>	<p>Create an opt-out system linking paychecks to Afore accounts and immediately transfer a given percentage as a voluntary contribution. Where not possible, set up the Afore automatic savings product to deduct from a bank account. Offer delayed start, gradual increases, or a cancellation period to increase comfort.</p>
 <p>Make retirement feel vivid</p>	<p>Use visualization exercises and goal-setting activities, including labeled accounts, personalized reminders and regular feedback.</p>
 <p>Lessen the feeling of loss</p>	<p>Tie contributions to benefits, such as points for prizes or a lottery. Re-frame messaging to emphasize family, demonstrate the benefits of saving early for retirement, including how smaller amounts add up over time, and focus on future spending.</p>
 <p>Make visible and commonplace</p>	<p>Demonstrate that most people in the community (i.e., people like me) believe they should save or are taking steps to save more for a comfortable retirement.</p>
 <p>Establish new habits for staff</p>	<p>Create checklists, scripts, or handouts to guide staff in conversations with account holders and encourage regular voluntary contributions.</p>
 <p>Bundle enrollment</p>	<p>Bundle enrollment with existing government processes, such as applying for a driver's license or signing up for Mexican Social Security Institute (IMSS) services.</p>

A New Way Forward

Every person has the right to a dignified retirement, and most of us need a little help getting there. The solutions outlined in this report build on the insights we gained from applying a behavioral lens to retirement savings in Mexico. They target common behavioral themes, and can be combined and adapted in multiple ways to address particular challenges. These recommendations, which include some potentially high impact solutions but are not an exhaustive list, are based on the science of decision-making and our understanding of retirement savings both in Mexico and overall.

Human behavior is complex and hugely dependent on context. While the setting and implementation of a design may differ, two main goals remain constant: to maximize the likelihood that people will follow through on their intentions to begin regularly saving for their retirement, and to remove

biases from the decision-making environment that lead people to make choices that aren't in their best interest.

In Mexico, adequate retirement savings is rightly being treated as a matter of national importance. Not only does offering scalable behavioral solutions to increase voluntary savings complement meaningful structural improvements, it provides the nudge many people need to begin on a path towards a more prosperous future. We hope that the ideas we have recommended enable millions of Mexicans to reach a secure retirement. As we work together to implement innovations grounded in a deep understanding of human behavior, we also hope that Mexico will serve as an inspiration to many more countries seeking a new approach to tackle difficult social problems.

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Annex: Design Prototypes

This annex includes a few examples of how to bring this report's behavioral design concepts to life. For this exercise, we created early prototypes to highlight different design elements for three major implementation channels: the retail outlets (7-Eleven and Telecomm), the Afores, and CONSAR. These ideas are meant to be illustrative. The designs and their components could be mixed and matched across channels, and we would also encourage the use of additional concepts and touchpoints from the report not included here.

We created these prototypes to spark ideas for how design concepts could be actionable. However, they are intended only as preliminary sketches, and do not include finalized graphics, images, or content. As we have mentioned, context matters. Therefore, any prototype should stem from an in-depth understanding of the context and then be rigorously tested before scaling. Our methodology is collaborative; we work together with our partners to diagnose the specific problem, iterate on designs, and ultimately test our ideas.

Annex 1.1 7-Eleven and Telecomm Prototype

The prototype below seeks to encourage and establish the habit of making voluntary contributions at retail channels, including 7-Eleven and Telecomm branches. It combines a variety of behavioral levers such as visualization exercises and language around future spending to foster a more vivid image of retirement. It also offers the more immediate benefit of a lottery ticket to lessen the feeling of loss and provide feedback and reminders to keep account holders motivated.

Flier Front:

- A Prompts account holders to think about enjoyable activities to portray retirement as less intimidating and engender a sense of optimism for the future.
- B Reframes retirement saving as a family act instead of an individual act.
- C Utilizes visualization questions to make the future feel more concrete and to encourage planning.
- D Prompts placement in a conspicuous area to act as a reminder to save.
- E Encourages regular savings behaviors and lessens the feeling of loss by offering entrance into a lottery after a given number of contributions.
- F Keeps retirement savings salient by using a portable lottery ticket that can be easily stored in a wallet.

Flier Back:

A

Guardar para gastar después

Cuando dejes de trabajar, ¿quieres el mismo estilo de vida? ¿Quieres ser capaz de gastar más, menos o lo mismo que ahora? ¿Cómo te estás preparando para cuando dejes de trabajar? Ten más opciones para ti y tu familia guardando tu dinero en tu cuenta de Afore para que tengas más dinero para gastar luego.

D

B

¡GANAR unas vacaciones de ensueño!

Llena la tarjeta de sellos abajo antes del 31 de agosto de 2016 para participar en la lotería de la CONSAR. *Puedes ganar un viaje gratis con un valor de 10x la cantidad total que contribuiste durante todo el año* Cada vez que aportes la cantidad que elegiste, recibirás un sello en tu tarjeta. ¿No estás seguro de qué cantidad contribuir? Echa un vistazo a la tabla de abajo.

¿Cómo participo en la lotería?

- Ve a tu 7-Eleven, agencia de Telecomm u oficina de tu Afore más cercana para hacer una aportación y recibir tu sello.
- Guarda esta tarjeta en tu cartera para que la tengas disponible cuando aportes.
- Contribuye 6 veces para llenar tu tarjeta y participar en la lotería de los sueños de la CONSAR.

C

¡Utiliza esta tabla para ayudarte a apartar lo suficiente para la vida que deseas tener cuando dejes de trabajar!

Al mes, gano ...	Necesito aportar esta cantidad a mi Afore cada mes:	Eso es solamente...
0-\$4000	\$200 +	2 entradas de cine
\$4000-\$6000	\$400 +	Comida para dos en un restaurante
\$6000-\$8000	\$600 +	1 par de jeans
\$8000-\$10,000	\$800 +	1 par de zapatos Nike
\$10,000 +	\$1000 +	1 par de zapatos de lujo

LAS APORTACIONES SUGERIDAS SE CALCULAN PARA ASEGURARSE DE QUE PUEDAS MANTENER TU NIVEL DE VIDA ACTUAL CUANDO TE RETIRES.

E

¡Cuanto más aportes, más puedes ganar!

Llena esta tarjeta para tener la oportunidad de ganar un viaje 10 veces el valor de la cantidad que hayas aportado este año.

1

2

3

4

5

6

1. NOMBRE
2. CURP
3. CANTIDAD [mes] [semanas]
4. CADA

ESTE BOLETO VENCE 6 MESES DESPUÉS DE TU PRIMERA APORTACIÓN.

- A Reframes current savings as the ability to spend more in the future.
- B Provides clear and actionable steps to facilitate participation.
- C Encourages regular savings, shows progress, and makes the savings process feel more tangible through a physical mark (e.g., stamps or checkmarks).
- D Makes saving feel rewarding in the present by linking it to an actual benefit (e.g., lottery, points, or discounts).
- E Simplifies choices regarding the amount to save to help account holders put aside more than “what’s leftover”.

Lottery Ticket Back:

¡Cuanto más aportes, más puedes ganar!

A Llena esta tarjeta para tener la oportunidad de ganar un viaje 10 veces el valor de la cantidad que hayas aportado este año.

			4	5	6
---	---	---	---	---	---

B

1. NOMBRE

2. CURP

3. CANTIDAD [\$200] [\$400] [\$600] [\$800] [\$1000] [\$_____]

4. CADA [mes] dos semanas [semana]

ESTE BOLETO VENCE 6 MESES DESPUÉS DE TU PRIMERA APORTACIÓN.

C

D

- A Encourages a larger contribution amount and higher frequency of deposit by linking the value of the prize to the quantity saved that year.
- B Facilitates decisions around the amount and frequency of saving.
- C Rewards deposits and provides feedback via the use of stamps.
- D Instills a sense of urgency in the short term by providing a deadline.

Visualization Ticket Back:

¡Utiliza esta tabla para ayudarte a apartar lo suficiente para la vida que deseas tener cuando dejes de trabajar!

A	Al mes, gano ...	Necesito aportar esta cantidad a mi Afore cada mes:	Eso es solamente...	C
	0-\$4000	\$200 +	2 entradas de cine	
	\$4000-\$6000	\$400 +	Comida para dos en un restaurante	
B	\$6000-\$8000	\$600 +	1 par de jeans	
	\$8000-\$10,000	\$800 +	1 par de zapatos Nike	
	\$10,000 +	\$1000 +	1 par de zapatos de lujo	

LAS APORTACIONES SUGERIDAS SE CALCULAN PARA ASEGURARSE DE QUE PUEDAS MANTENER TU NIVEL DE VIDA ACTUAL CUANDO TE RETIRES.

- A Shows current monthly salary amounts to create goal for future monthly spending.
- B Recommends monthly savings amounts needed to replace salary during retirement and demonstrates how small amounts now add up over time.
- C Shows where savings could come from in current monthly budgets and emphasizes that saving small quantities matters.

Annex 1.2 Afores Prototype

The following handout and dialogue aim to build on the interaction between Afores staff and account holders, facilitating the creation of a more concrete vision of life during retirement. Both prototypes aim to increase account holders' recognition of the need to begin saving and the willingness to use an automatic savings product.

Step 1: Visualization Exercises

Describe un día típico durante tu retiro:
¿Dónde vivirías y qué aficiones tendrías?

¿Cuánto ganas ahora? ¿Crees que vas a necesitar más, menos, o lo mismo durante tu retiro para mantener tu estado de vida actual?

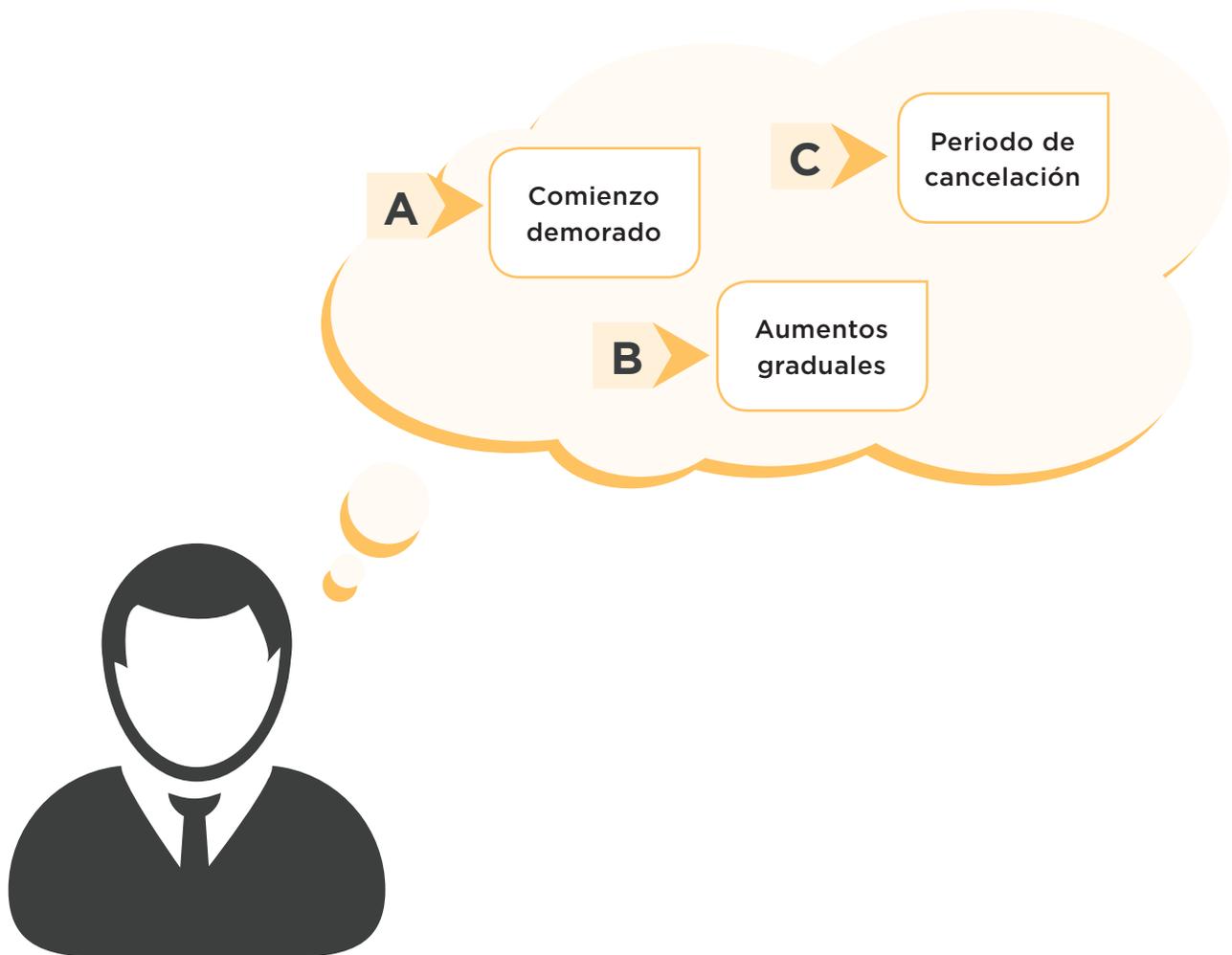
Cuéntanos lo que estás haciendo ahora para asegurar ese retiro que tienes en mente ¿Qué podrías estar haciendo mejor?



- A Promotes concrete thinking about the future.
- B Uses current spending habits to help account holders think about their future consumption needs.
- C Encourages self assessment of current and desired savings behavior.

Step 2: Presenting Automatic Savings and Behavioral Enhancements

After the visualization exercise, the Afore representative will present the opportunity to sign up for an automatic savings product. As we saw with a similar exercise we conducted during our interviews, some clients may be willing to sign up after completing the visualization handout. However, for those more reluctant to enroll, the Afore representative could offer additional behaviorally-informed features along with the automatic savings product.



- A Delay start of automatic savings for those who don't feel that they can save now, but are optimistic that they could in the future.
- B Program gradual increases to deposit amounts for clients to foster comfort with the automatic system and reduce the feeling of risk.
- C Allow a cancellation period during which clients could opt out of a singular monthly deposit in case of an emergency without completely withdrawing from automatic savings.

Annex 1.3: CONSAR Prototype

Account holders receive statements every three to four months. Below is a sample of an original statement along with a redesigned one. The sample redesigned account statement simplifies the important information, highlights the benefits of consistent saving, and encourages enrollment in an automatic savings product by providing easy action steps.

Original Account Statement



ESTADO DE CUENTA / TRABAJADOR PENSIONADO

Atención al público

SAR-TEL: 01800 5000 747
www.consar.gob.mx
 CONDUSEF: 01800-999-80-80 DF y lada sin costo
 IMSS: 01800-623-23-23
 ISSSTE: 54-48-89-03 y lada sin costo 01800-71-04-666

Periodo que comprende este Estado de Cuenta

Sus datos

CURP

RFC

NSS

Verifique que sus datos (nombre, dirección, CURP, RFC y NSS) estén correctos. Si hay alguna inconsistencia, infórmela a su AFORE.

SALDO TOTAL EN SU CUENTA INDIVIDUAL \$

Resumen general

Concepto	Saldo Anterior +	Aportaciones -	Retiros +	Rendimientos -	Comisiones =	Saldo final
Ahorro para el retiro						
Ahorro voluntario						
	Saldo anterior		Movimientos		Saldo final	
TOTAL DE SU AHORRO						

FOLIO



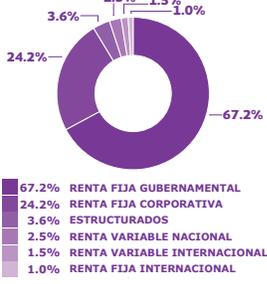
INDICADOR DE RENDIMIENTO NETO

AFORES	RENDIMIENTO NETO
PensionISSSTE	8.28%
Invercap	8.00%
SURA	7.54%
Profuturo GNP	7.43%
Banamex	7.18%
XXI Banorte	6.80%
MetLife	6.75%
Principal	6.52%
Azteca	6.06%
Coppel	5.58%
Inbursa	4.91%
Promedio Simple	6.82%



Instrumentos en los que su AFORE invierte los recursos

Para mayor detalle consulte www.consar.gob.mx



● El indicador de rendimiento que se está reportando refleja la rentabilidad promedio de los últimos 56 meses, el cual difiere al rendimiento obtenido en el periodo que se reporta en este Estado de Cuenta.

● Los rendimientos actuales no garantizan rendimientos futuros.

¹ Los recursos de vivienda no son administrados por las AFORE. Las AFORE únicamente brindan esta información a sus clientes pero no pueden resolver ninguna aclaración relacionada con créditos. INFONAVIT 01800-00-83-900 lada sin costo o 91-71-50-50 en el DF, FOVISSSTE 01800-36-84-783 lada sin costo.



Annex 1.3:
CONSAR Prototype

Redesigned Account Statement

PENSIONISSTE
INSTITUTO NACIONAL DE PENSIONES
AL SERVIDOR PÚBLICO

SB1
REFORE BÁSICA 1

ESTADO DE CUENTA / TRABAJADOR PENSIONADO

Periodo que comprende este Estado de Cuenta

CURP

RFC

NSS

Salud de tu retiro

Tu retiro podría estar más saludable. Lee abajo cómo asegurar tu calidad de vida en el futuro.

Concepto	Saldo Anterior	+ Aportaciones	- Retiros	+ Rendimientos	- Comisiones	= Saldo final
Ahorro para el retiro						
Ahorro voluntario						
	Saldo anterior			Movimientos		Saldo final
Ahorro para la vivienda ¹						

APORTACIONES A SU CUENTA EN ESTE PERIODO \$

TOTAL DE SU AHORRO

Cómo mejorar la salud de tu retiro

Aporta más que el mínimo con una de estas opciones:

APORTACIÓN 10% DE TU SALARIO (IDEAL) \$3,000 o más

APORTACIÓN \$10 PESOS AL DÍA (RECOMENDADA) \$1,000

APORTACIÓN OBLIGATORIA (MÍNIMA) \$500 al mes

Si puedes ahorrar más de \$10 pesos al día, considera guardar parte de tu salario, como el 10%. **Esta es la mejor opción y te asegura una cantidad aun mayor en tu retiro.**

Si ahorras **solamente \$10 pesos más al día** (\$300 al mes), podrás disponer de esta cantidad cada mes de tu retiro.

Esta es la cantidad de la que dispondrás al mes en tu retiro si aportas únicamente lo cantidad mínima.

¿Quieres guardar \$10 al día o más de la manera más sencilla?

¡Empieza tu domiciliación y estarás guardando en automático!

Llama al 5062 0555 Lada sin costo 01 800 400 1000 (lunes a viernes, 9am-6pm)
o visita <https://www.e-sar.com.mx/PortalEsar/public/AhorroVoluntario.do>
Ten a la mano una identificación oficial vigente y un estado de cuenta bancario.

Handwritten Message:

Andrew
¡Felicidades por llevar ya 5 años guardando para tu retiro! Te recomiendo guardar solo \$20 pesos más al día (\$600 al mes) para que mantengas tu calidad de vida en el retiro. Hay más detalle en tu estado de cuenta.

Alissa Fishbane
(tu amiga en (inserte Afore))

- A Captures attention and instills a sense of familiarity by including a handwritten message.
- B Displays retirement health to clients to convey if action is needed through an intuitive gauge.
- C Encourages signing up for automatic contributions greater than minimum levels by:
 - framing savings as monthly instead of total amounts, offering recommended versus ideal monthly savings amounts, displaying potential future monthly spending amounts based on current savings rates, and simplifying instructions and language.
- D Facilitates set-up of automatic savings by providing simple action steps and contact numbers.



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