The Power of Doing Nothing

How defaults can improve customer savings behavior

» FEATURED SOLUTION: DEFAULTS

WHY DO DEFAULTS WORK?

People prioritize today over tomorrow

People put off taking action on complex tasks

People suffer from inertia

WHERE CAN PROVIDERS AND NON-PROFITS APPLY DEFAULTS?

Automatic deposits into savings:

Automatic inclusion of savings add-ons:

Automatic loan repayment:

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Despite good intentions, people often make less-than-optimal financial choices. In this series, we match insights from our global research in behavioral economics with specific financial product and service opportunities for U.S. providers. Providers can use these evidence-based insights to expand financial inclusion, improve client offerings, and continue to promote financial health.

Automatic ("opt-out") enrollment is a simple product design modification in which consumers are informed they will be automatically enrolled in a product or service unless they choose to opt out. Setting the default to "opt-out" instead of "opt-in" has been shown to significantly increase uptake of certain savings products and lead to behavior change through automation, for example by increasing participation in retirement and savings plans. It is important that financial services providers use these tools with care, fully and conspicuously inform their customers about the product or service into which they will be enrolled, and give customers full freedom to make a different choice or opt out at any time.

This brief is part of IPA's Nudges for Financial Health series, which is available as a combined booklet ***here****. The other briefs in the series can be downloaded individually:* ***Top of Mind, Count on Commitment****.*

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