

When, how and for whom evaluative labels and consumption baskets increase savings

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Abstract

Saving decisions are an important determinant of financial well-being. We assess in four experimental studies whether adding evaluative labels describing the expected future lifestyle (such as “moderate” or “comfortable”) and consumption baskets (e.g., specification of the consumption possibilities per expected pension lifestyle) to saving projections affect saving decisions. Our results indicate that evaluative structures can increase saving rates and that mental imagery mediates the effect of consumption baskets on saving rates. The effectiveness of an evaluative structure is not moderated by one’s level of financial literacy, trust or patience. However, the effectiveness of labels depends on one’s current saving rate. We conclude that whereas evaluative structures may act as an impactful nudge to increase savings, the implementation of evaluative structures in financial services requires great care.

Subject Areas: *Consumer Behaviour, Decision-Making, Finance, Public Policy*

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