

## **Anchoring bias in annuity choices: An experimental investigation**

**Abigail Hurwitz, Orly Sade, Eyal Winter**

The need to ensure people have adequate savings for retirement has prompted debate among regulators and academics. Certain countries have implemented or are considering implementing mandatory minimum annuity laws (e.g., Singapore and Israel), whereas others have repealed or are considering repealing such legislation (e.g., the U.K.). We investigated the introduction and repeal of mandatory minimum annuity laws using a laboratory experiment and two surveys (of students and a representative sample of the age-relevant population). Demand for annuities (vs. a lump sum) was sensitive to the mandatory-minimum mechanism and consistent with anchoring to the signal reflected in the requirement. Imposing a mandatory minimum did not guarantee an increase in the demand for annuities and the outcome was sensitive to the relation between the level of the mandatory minimum and anticipated consumption (i.e., future financial need). The repeal of mandatory minimum annuity laws does not necessarily restore the demand for annuities to the level before implementation of the constraint.