

## Anchoring & TSP Enrollment

### *Suggesting contribution rates promotes savings enrollment and contributions*

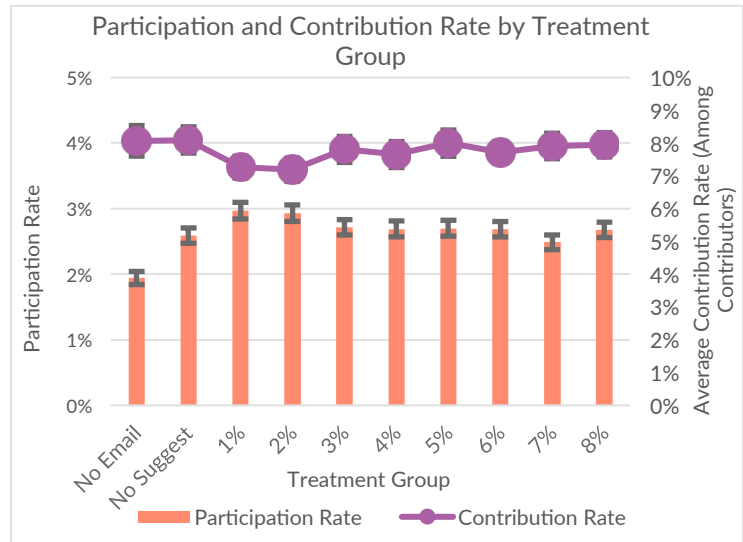
**Agency Objective.** Increase enrollment and contribution rates in Thrift Savings Plans among interested active duty service members using behaviorally designed email communications.

**Background.** The Federal Government operates a workplace savings program called the Thrift Savings Plan (TSP) for all of its employees.<sup>9</sup> While the Government automatically enrolls its civilian employees in TSP, it does not currently automatically enroll service members, and military enrollment rates average roughly 44 percent. In order to enroll, service members need to log in to a website and select from a suite of potential contribution percentages. A 2015 Department of Defense (DOD) and Office of Evaluation Sciences (OES) study showed that many of the nearly 800,000 unenrolled service members chose to enroll in TSP when actively emailed about a chance to do so.<sup>10</sup>

**Methods.** The Defense Finance and Accounting Service (DFAS), in collaboration with SBST and academic researchers, tested the impact on TSP enrollment of sending unenrolled service members emails that suggested contribution rates.<sup>11</sup> In addition to a no-email control and a message based on results from tests in 2015,<sup>12</sup> eight different messages added a prompt that suggested a rate of savings between 1 and 8 percent.<sup>13</sup> The 699,674 service members who were not enrolled in TSP as of January 26, 2016 were randomly assigned to these ten groups based on SSN. After DFAS sent out the emails on January 27, 2016, it tracked TSP enrollment through the end of February.

**Results.** One month after the emails were sent, 18,451 service members had enrolled: 1,362 in

the no-email group (1.94 percent), compared with 1,813 who received an email with no suggested contribution rate (2.58 percent) and 15,276 across those sent the eight anchoring emails (2.73 percent). Overall, receiving an email resulted in an increase of 0.77 percentage points ( $p < 0.01$ , 95% CI [0.66, 0.88]). Emails with suggested contribution rates ranged from a low of 2.49 percent enrollment (for a 7 percent suggestion) to a high of 2.97 percent (for a 1 percent suggestion). Suggesting low contribution rates (1 and 2 percent) led to slightly higher new enrollments, but those suggestions also led to lower average contribution rates among those who contributed. From 3 percent up to 8 percent, increasing the suggested contribution rate did not depress enrollment. For each of the eight suggested contribution rates, there was some evidence suggestive of an anchoring



effect—service members were more likely to contribute at exactly the suggested rate than those who were not given a suggested rate.

**Conclusions.** There were more than \$1 million in new contributions made in February 2016 alone as a result of the emails, demonstrating behaviorally informed email campaigns continue to be effective at prompting service member enrollment in TSP. While an increase in suggested contribution rates led to slightly lower

<sup>9</sup> For general background information on TSP, see: [tsp.gov](http://tsp.gov)  
<sup>10</sup> Social and Behavioral Sciences Team, *Annual Report* (2015), 30.  
<sup>11</sup> Katherine L. Milkman collaborated with OES on this project.  
<sup>12</sup> Social and Behavioral Sciences Team, *Annual Report* (2015), 30.  
<sup>13</sup> James J. Choi, Emily Haisley, Jennifer Kurkoski, and Cade Massey, "Small Cues Change Savings Choices," (NBER Working Paper No. 17843, 2012).

## Anchoring & TSP Enrollment

### *Suggesting contribution rates promotes savings enrollment and contributions*

new enrollments, the average contribution rate increased with higher suggested contributions, which resulted in no substantial net difference in actual savings between groups. As military, civilian, and private sector employees consider

modifications to compensation and retirement schemes, the typical default—3 percent suggested contributions—may not be optimal in terms of encouraging new enrollments or substantial retirement contributions.