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Employee Saving and Investment Decisions in Defined Contribution Pension Plans: Survey Evidence from the UK

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Abstract

This paper uses data from a survey of the members of a UK defined contribution pension plan to explore the attitudes and knowledge of employees faced with pension saving and investment decisions. The results are consistent with behavioural economics in that many employees show limited interest in their pension arrangements. Not all members have received advice about their pension, but those who have are more likely to have calculated their savings needs, to have higher levels of investment knowledge, and to actively review their investments than those who have not. The members' investment preferences appear broadly consistent with traditional finance theory, although the popularity of property may reflect familiarity bias.

Keywords: pensions, defined contribution, behavioural economics, survey data

JEL Classification: D14, G11, G23

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