

Arrival

WEDNESDAY *March 26*

5:30 – 7:00 pm Cocktails on the Center Terrace

7:00 pm Dinner on the Center Terrace

THURSDAY *March 27**All Meetings will be held in the Merrick Conference Center.*

7:30 – 8:30 am Breakfast in the Danielson Gallery

8:30 – 9:15 am **Helping Individuals Hedge Risks**
Presented by Robert Shiller, Yale University

The application of advanced principles of risk management to the risks of the household offers many opportunities to improving human welfare. For such application to be effective, the complex and long-term nature of the basic household maximization problem must be understood, and psychological factors that prevent households effective use of risk management tools to solve this problem must be considered. Examples are given of recent financial innovations that focus on risks that are salient to households, such as home price risks, longevity risks, and energy risks.

9:15 – 10:00 am **Personalities of Financial Products**
Presented by Priya Raghurir, UC Berkeley
Meir Statman, Santa Clara University

Financial products, like most products, have utilitarian attributes and expressive attributes. The utilitarian attributes of financial products include their expected returns, risk, liquidity and fees. Expressive attributes are those that allow us to convey to ourselves and others our values, tastes and social class. Expressive attributes answer the question “What does the product say about me?” One expressive attribute of a hedge fund is status. It says “I have arrived.” An insurance policy says “I am responsible.” A socially responsible fund says “I am a good person.” An active mutual fund says “I can be a winner.” In this research program, we examine the perceptions of the utilitarian and expressive attributes of financial products and how these perceptions affect the manner in which consumers and investors relate to financial products and decide whether to choose or forego them. An understanding of the perceived attributes of financial products would assist in their marketing by financial services companies, including product design and positioning. It would also assist consumers and investors in making wise choices that are consistent with their goals.

THURSDAY *March 27 (continued)*

10:00 – 10:30 am

Break

10:30 – 11:15 am

The Psychology and Marketing of Tontine-Based Retirement Income Solutions*Presented by* Suzanne Shu, UCLA

Decumulation decisions appear to cause difficulty for many investors, limiting demand for products such as annuities and reverse mortgages. The decumulation process is difficult because it entails two major risks: running out of money by spending too fast versus dying early and unintentionally leaving behind a substantial amount of unused funds. One product that appeared to address both sides of this risk tradeoff is tontine insurance, which became popular in the US in the late 1800's. While tontine insurance is now illegal in the US, an effort to understand psychological factors like comparative optimism and perceived fairness that made tontine insurance so successful in the past may allow us to develop more effective marketing approaches for the annuity products of today.

11:15 – 12:00 pm

Smart(er) Defaults*Presented by* Eric Johnson, Columbia University

We start this talk with three observations. First, that defaults (that is options selected when no active choice is made) have great impact upon choice. Second, managers must make decisions about what defaults to use. Finally, we claim there are often situations where managers know as much about what will make the consumer happy as the consumer themselves. We briefly review the powerful effects of default options, and then describe managers' options for setting defaults. We introduce the concept of smart defaults and describe, in some depth, a case study of how the effect of smart defaults could influence the choices made by the customers of a large international auto manufacturer.

THURSDAY *March 27 (continued)*

12:00 – 1:00 pm

Lunch on the Backlawn

1:15 – 2:45 pm

Breakout Sessions (*choose one*)

A) Retirement Income Solutions

Presented by David Blake, Pensions Institute, London

Retirement Income Solutions: We will examine the risks facing retirees and the type of products that can deal with them. We will also consider why retirees are often reluctant to recognise these risks and so fail to value these products, thereby leaving them exposed to the risk of either outliving their resources or leaving unintended bequests. We end by discussing how product providers can, in turn, mitigate the risks that they assume.

B) Hedonomics: How to make your clients, employees and friends happier without spending more money?

Presented by Chris Hsee, University of Chicago

We distinguish between two approaches to increasing happiness. One is to increase the objective levels of external outcomes; one is to improve the presentation of and choices among external outcomes without increasing their objective levels. Economists focus on the first method. We advocate the second, which we call hedonomics. Hedonomics studies (a) relationships between presentations (how a given set of outcomes are arranged among themselves or relative to other outcomes) and happiness, and (b) relationships between choice (which option among alternative options one chooses) and happiness.

2:45 – 3:00 pm

Break

THURSDAY *March 27 (continued)*

3:00 – 4:30 pm

Breakout Sessions (choose one)

C) Creating Strong Brands in Financial Services

Presented by Sanjay Sood, UCLA

One of a firm's most valuable assets is the brand that it has invested in and developed over time. The difficulty and expense of introducing new products puts more pressure than ever on firms to skillfully manage their existing brands and leverage their assets to create successful new marketing opportunities. The concept of brand equity offers marketers a unified framework for building, managing and leveraging strong brands. This session will apply branding principles to the financial services industry, suggesting ways to conceptualize, understand, and measure the impact of brand equity in financial services. Given that strong brands generally command a price premium, investments in developing brand strategies can pay off handsomely over time.

D) Helping Consumers Make Better Risk–Return Tradeoffs

Presented by Elke Weber, Columbia University

Recent psychological models of risky choice have identified multiple determinants of risk-taking, including decreasing marginal utility, loss aversion, probability weighting, perceptions of returns and riskiness, and true attitude towards risk. Traditional economic models are limited with only a single parameter (“risk attitude”) to model both content- and context-specific and person-specific differences in risk taking. I will discuss how to use psychological insights into risk-taking to assess risk-attitude when the goal is to predict risk-taking in a specific situations and/or how to identify different determinants of risk-taking when the goal is to modify the risk-taking behavior of a target group.

6:00 – 7:30 pm

Wine Tasting in the Country Club Ballroom

7:30 pm

Dinner on the Country Club Terrace

FRIDAY *March 28*

7:30 – 8:30 am

Breakfast in the Danielson Gallery

8:30 – 9:15 am

Simplifying Savings Plan Participation

Presented by Brigitte Madrian, Harvard University
David Laibson, Harvard University
James Choi, Yale University
John Beshears, Harvard University

Recent research shows that simplifying the savings plan enrollment process so that employees need not confront the difficult tasks of selecting an asset allocation or contribution rate can significantly increase savings plan participation. The existing evidence, however, comes from interventions that are less than ideal from a theoretical perspective. We propose evaluating the optimal design of a simplified enrollment mechanism. The results from this research will inform not only the issue of how to design enrollment mechanisms to achieve particular savings plan outcomes, but broader and more fundamental questions about the psychology of decision-making that generalize to many other domains.

9:15 – 10:00 am

Hedonic Arbitrage

Presented by Shlomo Benartzi, UCLA
George Loewenstein, Carnegie Mellon University
Allesandro Previtiero, UCLA

We believe that it is possible to increase investors/consumers' hedonic experience, without necessarily increasing their income, wealth or spending. This is in a nutshell what we call Hedonic Arbitrage. To test our intuition, we propose four field experiments in the domain of investing and spending decisions.

10:00 – 10:30 am

Break

FRIDAY *March 28 (continued)*

10:30 – 11:15 am

Measuring Risk Perception and Risk Attitude in the Domain of Financial Investing

Presented by Elke Weber, Columbia University

Observed individual differences in risk taking are often not the result of differences in risk attitude, but of differences in risk perception, which also account for domain-specific differences in risk taking. Economic models of risk-taking with a single “risk-attitude” parameter fail to account for these observations. A more psychological understanding of risk preference provides practitioners interested in assessing risk taking with a set of measures that provide differential guidelines for how to (a) match clients to financial advisors in ways that maximize client satisfaction and (b) develop educational interventions to change the risk-taking behavior of a target group.

11:15 – 12:00 pm

Members’ Collaboration Update

Moderated by Shlomo Benartzi, UCLA

In this session, we will briefly summarize collaborative projects between BeFi academics and industry members that are currently in progress. We will cover both collaborative efforts that originated from presentations at BeFi 2007 as well as additional collaborative efforts that originated from casual networking between academics and industry leaders during BeFi 2007. Academic presenters will include Professor Iyengar, Professor Johnson, Professor Karlan and Professor Lynch.

Conference Ends

Departure