



PACIFIC LIFE

THE POWER OF TRACKING™

A Foundational Psychological Driver
for Improved Retirement Outcomes
and Workplace Excellence

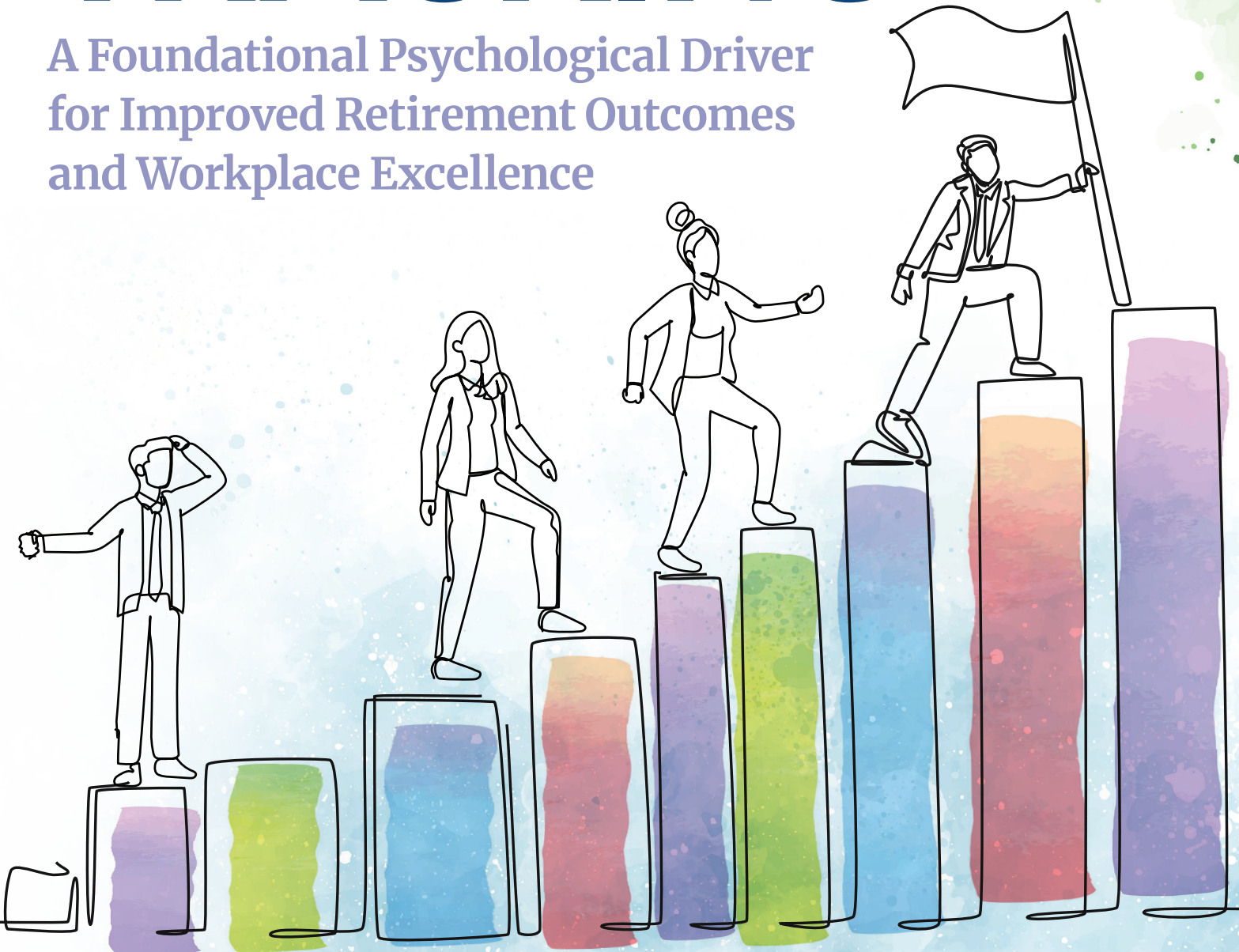


Table of Contents

3 | Prologue: The Power Of...

4 | The Power Of Tracking

6 | Focusing on Today with
an Eye Toward the Future

What does it take to reach long-term goals?

8 | The Game Changer

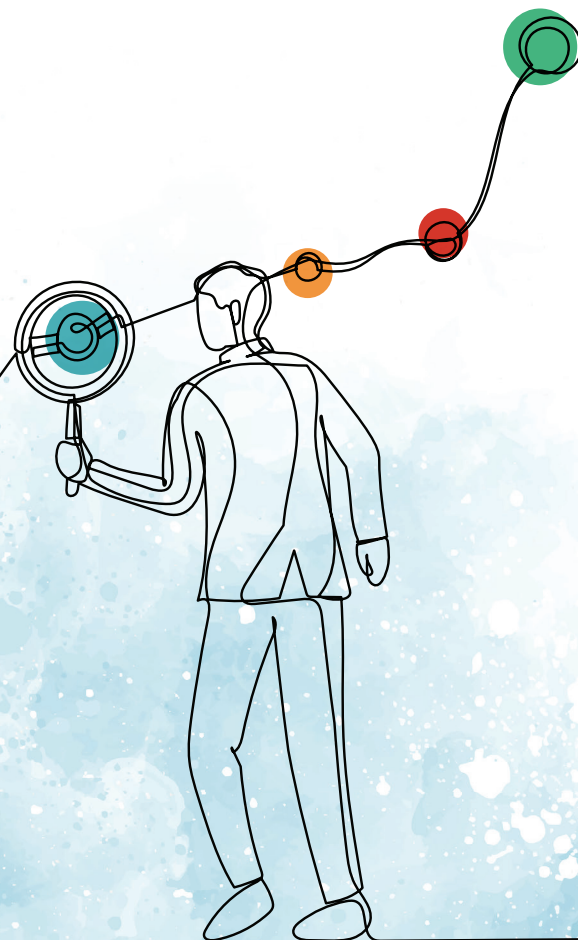
We surveyed over 2,000 Americans who are full-time employees and participate in a defined contribution retirement plan.

11 | Optimism and Outcomes

Our research shows that trackers are optimistic about the future, and they expect to live better and longer in retirement.

13 | Key Takeaways

Mindset matters. Highlighting the critical role of mindset in driving behavioral change, and setting the stage to explore *The Power of Optimism*.



Prologue: The Power of...

Retirement plan sponsors and advisers face a significant challenge: engaging participants to help them make smart, long-term financial decisions—not only to save enough for retirement, but also to encourage the use of tools and adoption of solutions that will help them live well in retirement. A new study of 2,000 defined contribution (DC) plan participants reveals how the science of goal attainment can help us understand how to help individuals overcome behavioral barriers to meeting long-term savings goals. The findings highlight the importance of developing a more

positive retirement mindset, and demonstrate why optimistic and proactive employees are more likely to prefer lifetime income solutions.

The Power of... is a three-part study. Each part explores a critical psychological driver and the influence each has on retirement savings, health, and overall financial wellness: **tracking, optimism, and imagination.** The research indicates that individuals who exhibit these behaviors are more successful in achieving long-term aspirations than those who may be less anchored in their future selves. These individuals tend to be better at formulating goals and monitoring progress

(The Power of Tracking), remaining resilient in the face of obstacles along the way (The Power of Optimism), and imagining the future (The Power of Imagination).

In *The Power of Tracking*, we explore why retirement plan sponsors and advisers can confidently offer lifetime income options, as most participants respond positively to these solutions, particularly those who are “trackers.” By utilizing behavioral psychology, motivation science, and positive framing, employers can enhance participation in retirement solutions and cultivate a financially prepared and engaged workforce.



MICHAEL FINKE

Michael Finke, PhD, CFP® is a professor of wealth management and the Frank M. Engle Distinguished Chair in Economic Security at The American College of Financial Services. He received a doctorate in consumer economics from The Ohio State University in 1998 and finance from the University of Missouri in 2011.



DAVID HARRY STEWART

David Harry Stewart is the founder, CEO, and the face of AGEIST. He is a passionate champion of the modern 50+ lifestyle, and a leading authority on the mindset and aspirations that drive this influential demographic. He frequently shares his expertise and insights with major media publications including *WSJ*, *The Times of London*, and *CNN*.



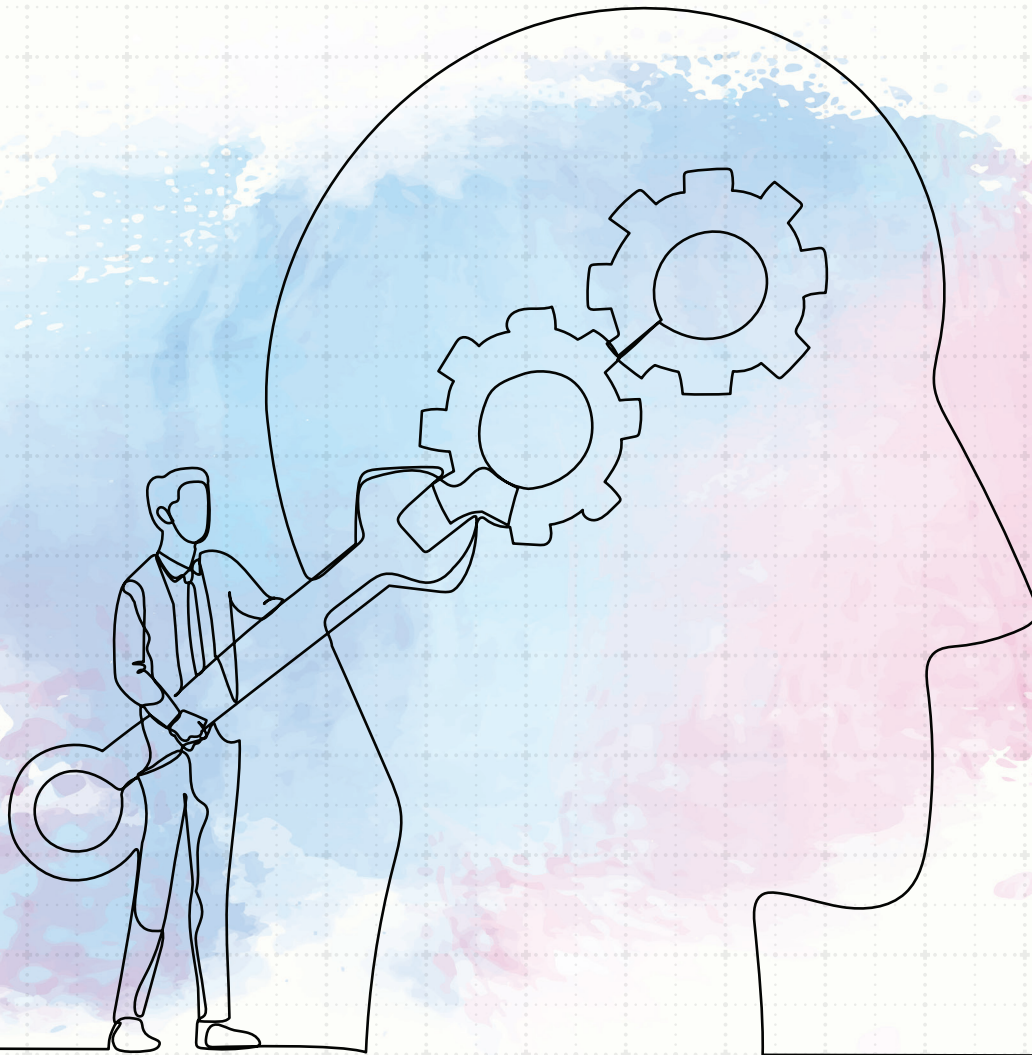
QI SUN

Qi Sun, PhD, is a financial economist for Institutional Business at Pacific Life. Qi's research focuses on longevity insurance and financial well-being. Qi holds a bachelor's degree in finance from Donghua University, a master's degree in personal financial planning from the University of Missouri, Columbia, and a doctorate in personal financial planning from Texas Tech University.



LEE FREITAG

Lee Freitag is a DC Strategist on the Defined Contribution Lifetime Income team in Pacific Life's Institutional Business where he is responsible for driving Institutional strategy, partnering with Research to shape thought leadership, and leading the development of impactful market strategies. Lee has over 30 years of experience in retirement strategy and asset management.



The Power of *Tracking*:

A Foundational Psychological Driver for Improved Retirement Outcomes and Workplace Excellence

What role does employee mindset play in the adoption of retirement income solutions? What role does it play in organizational success? This paper reveals how nurturing tracking behaviors in the workforce influences overall engagement, productivity, and retirement outcomes.

For the purposes of our research, we define “tracking” as the willingness, ability, and commitment to develop short-term habits that lead to the achievement of long-term goals. Additionally, we sought to explore the connection between individuals who track their health to other aspects of their lives, specifically retirement planning and the level of engagement at work. The participants in this study are comprised of: a) individuals who do not utilize tracking for fitness or retirement savings progress, b) those who track both, and c) those who track either their fitness or retirement savings goals.

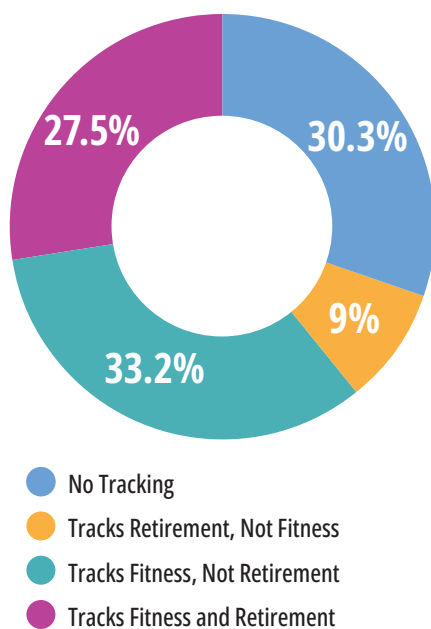


FIGURE 1

Based on our study, those who responded affirmatively to the following questions were identified as “trackers”:

1. Do you track your health using a wearable device, such as a smart-watch or other fitness-tracking application? In response, 61% of

respondents reported using a fitness tracker, categorizing them as “health trackers.”

2. How often do you check your retirement savings balance? In response to this question, 37% of respondents checked their retirement savings balance at least every week. We categorize these respondents as “retirement savings trackers.”

Together, 27.5% of all respondents track both fitness and retirement savings at least once a week and are considered “trackers,” as demonstrated in Fig. 1. “Trackers” also responded positively to questions about workplace tendencies and engagement, supporting the hypothesis that they are generally more proactive in the workplace. Our findings also indicate that the optimism and intentionality of those who focus on their overall health and financial success extend to other behaviors. For example, employees and leaders with a positive outlook are often more resilient when facing challenges and tend to demonstrate more innovation in problem-solving. Notably, while most individuals have a favorable opinion of an employer who offers a retirement plan with a lifetime income option, 26% more trackers than non-trackers have a favorable opinion.

While most individuals aspire to be healthier and financially prepared for the future, simply desiring these achievements is not enough. Education is a critical component but can only take one so far. A plan of action is essential; this is where mindset plays a crucial role. The findings of the research presented in this paper

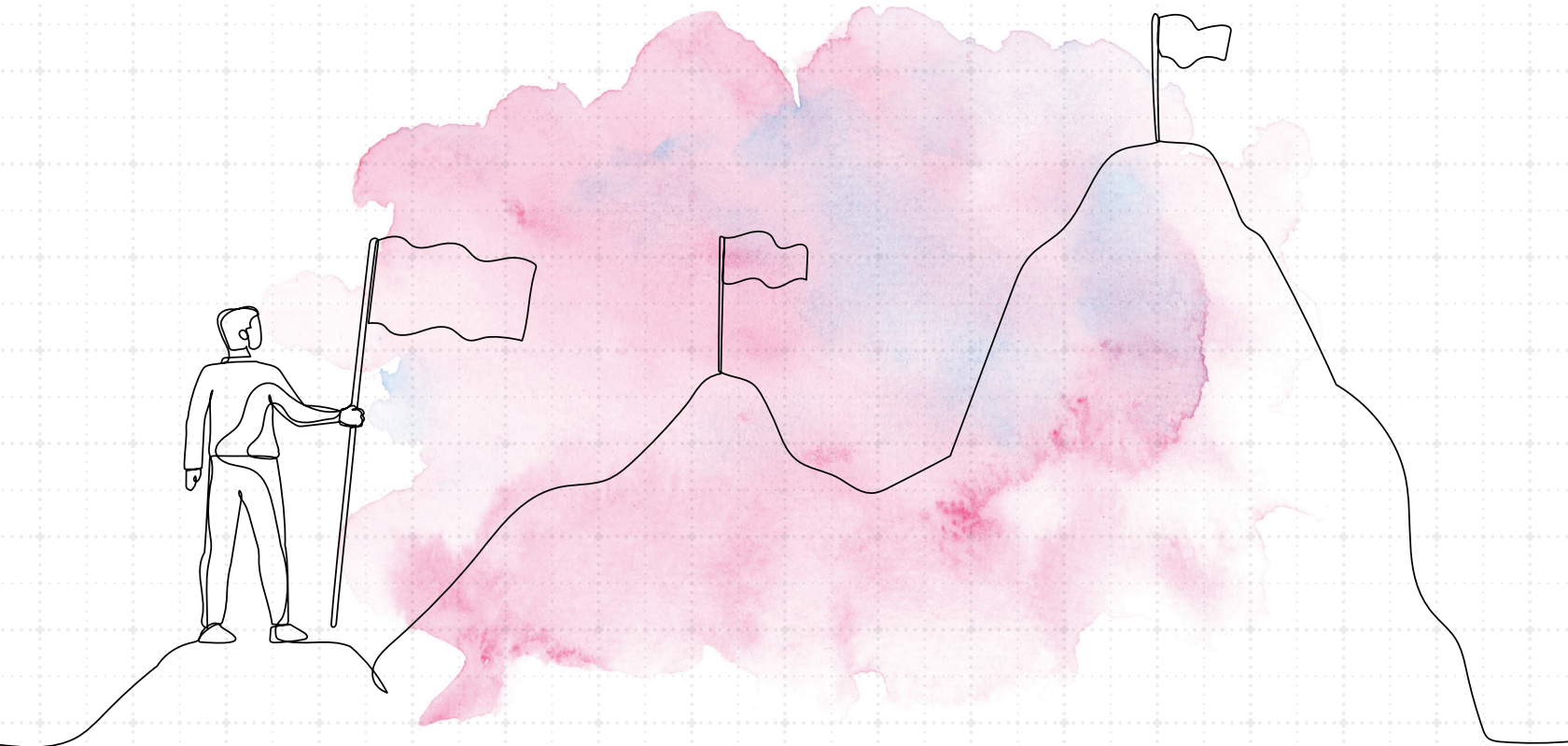
highlight the power of tracking progress to shape mindset, guide action, optimize performance, and ultimately, help people achieve their goals.

Trackers have a distinct mindset compared to those who do not track. This research shows that they are generally more optimistic, conscientious, and results-focused than non-trackers. In addition, trackers also place greater value on future health and retirement goals and anticipate living longer and healthier lives, well into their 80s and beyond. As it relates to retirement savings, these individuals place a higher value on the importance of lifetime income in retirement.

Dr. Michael Finke and David Harry Stewart, founder of AGEIST,¹ have long believed that key psychological behaviors, such as tracking, are motivated by an individual’s desire for a more fulfilling and rewarding future. Pacific Life partnered with Dr. Finke and Stewart to understand the impact of tracking and the connection between the value individuals place on the future and the likelihood that these individuals will develop successful habits that enhance their health, financial well-being, and engagement at work. The results suggest that an individual’s behavior is directly tied to how they perceive their future self—specifically, their future well-being.

If an individual believes they will live a long, happy, and healthy life, they will typically adopt behaviors that make that vision a reality. Consequently, their short-term actions, such as using fitness trackers and retirement savings tools, will evolve into habits that align with their long-term goals.

¹ AGEIST® is a media company dedicated to championing the vitality, influence, and contributions of the modern 50-plus demographic, and an agency that advises businesses, brands, and organizations on emerging trends and how to better understand, speak to, and engage this important and growing segment.



Focusing on Today with an Eye Toward the Future

What does it take to achieve long-term goals? Commitment to a plan that will improve short-term habits is the steppingstone that leads to incremental change and, ultimately, the achievement of long-term goals. Many individuals take the first step but struggle to make lasting changes necessary for personal, financial, and professional success.

Tracking progress can be a powerful driver in this process as it engages the emotional centers of the brain and provides short-term

rewards, making it easier to stay motivated and create the necessary habits to reach longer-term goals. Research shows that people of-

ten struggle between short-term temptations and long-term goals. According to the “dual-self” model of cognition,² individuals possess

² Fudenberg, D., & Levine, D. K. (2006). A dual-self model of impulse control. *American Economic Review*, 96(5), 1449–1476.

two distinct selves—the short-term self, driven by emotion and impulse, which struggles to resist temptation, and the long-term self, reflecting rational aspirations and goals. A simple example of this model is the snooze button. When people decide what time to wake up the next morning, they make a rational choice based on their future needs. However, when the alarm goes off, their short-term self often overrides these aspirations, opting for an extra nine minutes of sleep. The snooze button exemplifies the conflict between their long-term goals and their short-term temptations.

Long-term goals, such as improved physical health, may not always be sufficient to motivate actions like exercising or eating healthier meals. However, tools such as applications that remind us of unmet exercise goals or fitness tracking devices that highlight our lack of progress can prompt the short-term self to act, avoiding negative emotional responses. Research indicates that everyone faces this conflict between their short-term and long-term selves, yet many fail to recognize it and, therefore, fail to develop strategies to build habits that support long-term goals.³

Tracking can be a meaningful way to address this “dual-self” conflict and influence short-term behavior by focusing on short-term goals that lead to long-term outcomes. **Implementation intention**—the transition from desire to

action—is crucial here. Research has consistently found that education alone is not enough to motivate people to change their habits to meet long-term goals, such as increased health or improved retirement savings. For example, more Americans than ever are aware that eating more fruits and vegetables is healthy, but this has not motivated them to change their diet.⁴ Notably, while education is a powerful tool alone, it is not enough to overcome inertia and drive action.

Changing habits (in this instance, eating more fruit and vegetables) does not simply derive from awareness or anchoring on a long-term goal; it is about creating a specific plan of action to improve short-term behaviors and achieve this long-term goal—implementation intention.⁵

Overcoming inertia, or inaction, is a significant obstacle to starting and sustaining a fitness journey; however, technology has made it easier for individuals to track activities, which supports implementation intention and drives motivation to change habits and maintain their journey. Fitness-tracking devices represent commitment tools, by monitoring daily progress, sending feedback and encouragement directly or through social components, and helping individuals create short-term habits. Positive outcomes beget positive emotions, motivating individuals to experience those emotions again.

This is especially important

when we connect back to the dual self—adding the element of intention for shorter-term actions can help keep them better align with longer-term goals. The action of tracking reminds us of our long-term goals and motivates us to act, reinforcing that completion of the task at hand is a steppingstone toward reaching our longer-term goals.

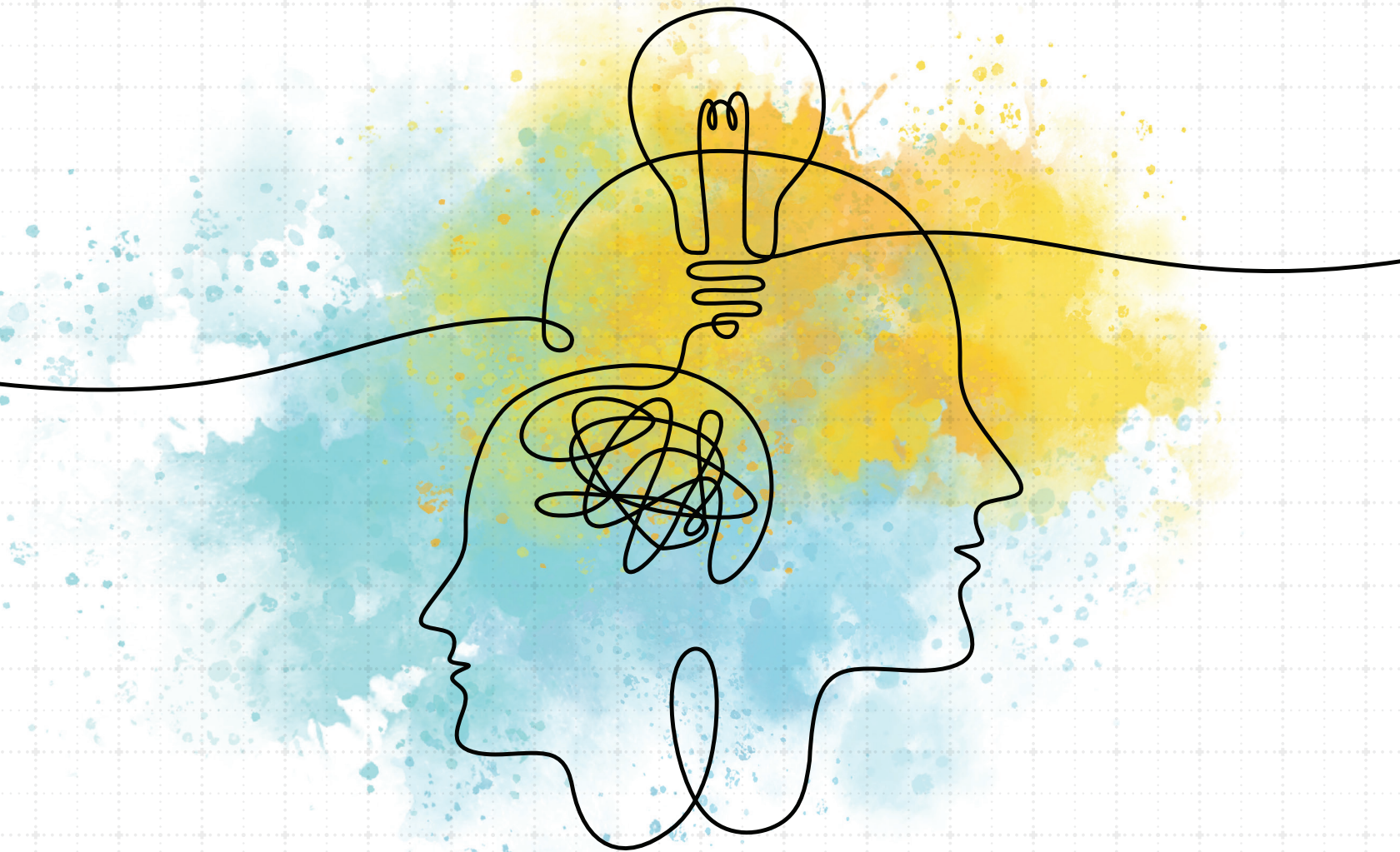
For this study, we aimed to understand the characteristics and mindsets of individuals using fitness-tracking devices and how these tracking behaviors impact other aspects of life, such as retirement planning. We found that these individuals are motivated to achieve their long-term goals and are likely to recognize the need to transform desire into action (implementation intention). Additionally, they are likely to realize the motivational benefit of evaluating short-term progress and are willing to invest in technology to achieve this.

What does this mean for employers? Are there correlations between tracking behaviors and how employees might view their employer? How do employees view their retirement savings? How do their views impact the desire for and utilization of lifetime income solutions by participants and plan sponsors? To be motivated to change habits, individuals must believe in a long-term goal and must believe that they can transform their future through their actions. The power of tracking is that it drives the motivation to create a plan.

³ Laibson, D. (1997). Golden eggs and hyperbolic discounting. *The Quarterly Journal of Economics*, 112(2), 443-478.

⁴ Casagrande, S. S., Wang, Y., Anderson, C., & Gary, T. L. (2007). Have Americans increased their fruit and vegetable intake?: The trends between 1988 and 2002. *American journal of preventive medicine*, 32(4), 257-263.

⁵ Milne, S., Orbell, S., & Sheeran, P. (2002). Combining motivational and volitional interventions to promote exercise participation: Protection motivation theory and implementation intentions. *British Journal of Health Psychology*, 7, 163-184.



The Game Changer:

Characteristics and Mindset of Trackers

Based on a better understanding of the benefits of tracking as it relates to achieving a longer-term goal, how do we leverage the mindset that drives those behaviors and connect them to retirement planning and the workplace? How do “trackers” differ from “non-trackers” in relation to taking actions toward retirement, their view of their employer, and their general optimism about the future?

If we can make a connection between perceptions that are driving actions and behaviors, and ultimately outcomes, then we can test and learn ways to help leverage those insights to create more “trackers.”

OBSERVATION 1: “Tracking Begets Tracking.”

Those who tracked their progress toward long-term fitness goals were far more likely than others to track their progress toward retirement goals. Nearly twice as many respondents who track fitness also regularly track their retirement savings and were considered “trackers” for the purpose of this study (Fig. 2).

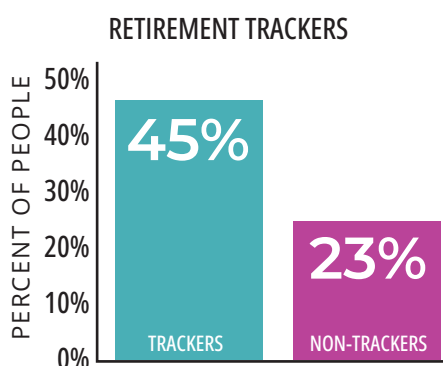


FIGURE 2

OBSERVATION 2: “Savings and Progress”

This study concluded that those who only track fitness were also 20% more likely to save at least 10% of their income for retirement than non-fitness trackers, and 28% more likely to indicate that they have estimated how much they must save to meet their retirement goals as compared to non-trackers.

However, trackers (respondents who track both fitness and retirement progress) are 35% more likely to save 10% or more for retirement and 40% more likely to have estimated their retirement savings needs, indicating that tracking can lead to higher savings rates and engagement toward retirement needs. When reviewing the number of respondents who save 10% or more for retirement, the largest number comes from the respondents who apply tracking behaviors more broadly than just to fitness (Fig. 3).

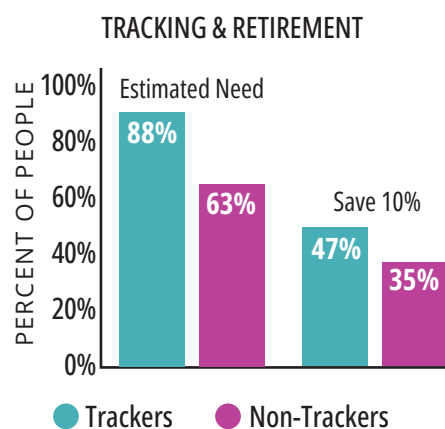


FIGURE 3

Saving for retirement and committing to an exercise routine both require sacrifices in terms of time and effort today to reap benefits in the future. These sacrifices make sense for those who can picture themselves living a long and healthy life and who plan to spend more during those extended retirement years. The motivation to track one’s progress toward these long-term goals requires that an individual be motivated by a desire for overall health and well-being.⁶

“Saving for retirement and committing to an exercise routine both require a sacrifice of time and effort...”

—MICHAEL FINKE

In other words, there must be alignment within their “dual self” to ensure that actions today are helping make progress toward longer-term goals.

OBSERVATION 3: “Impact On Optimism”

Respondents were asked, “How positive or negative do you feel about the future?” One-third (33%) of all respondents expressed feeling “highly positive” about the future. The difference in future outlooks between trackers and non-trackers was striking—more than twice as many trackers felt highly positive about the future than non-trackers (Fig. 4, 54% versus 25%).

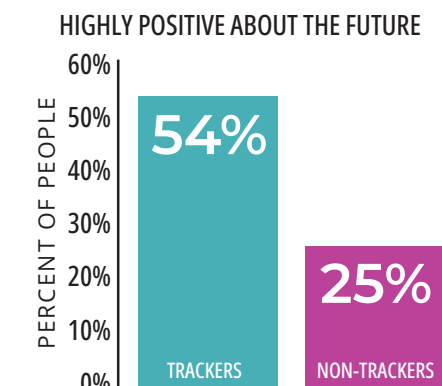


FIGURE 4

⁶ Vansteenkiste, M., Lens, W., & Deci, E. L. (2006). Intrinsic versus extrinsic goal contents in self-determination theory: Another look at the quality of academic motivation. *Educational psychologist*, 41(1), 19-31.

Trackers also have more positive views about quality of life during retirement. When asked, “When you think about your life in your 80s, how do you feel about it?” 30% felt “strongly positive” about life in their 80s, compared to only 16% of non-trackers (Fig. 5).

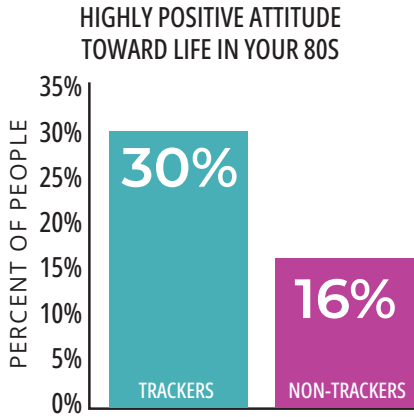


FIGURE 5

Additionally, trackers were more likely than non-trackers to strongly agree with the statement, “I am constantly striving to be the best version of myself.” This is consistent with the desire for self-improvement that fuels the motivation to track progress (Fig. 6).

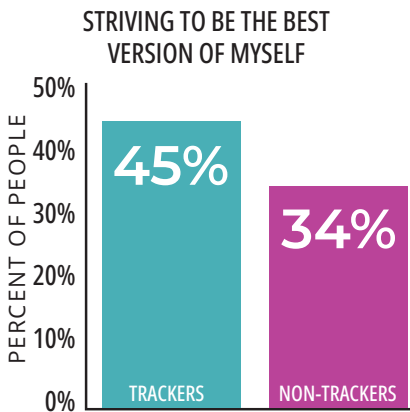


FIGURE 6

When people track their progress because they understand how their behaviors are moving them toward becoming a better version of themselves in the future, they are employing implementation intention.

Trackers are also more likely to appear to be more ambitious employees. For example, the participants were asked, “When you are given responsibility for an important project, how would you respond?” Trackers were 26% more likely than non-trackers to indicate that they would “feel eager to accept the challenge” when given responsibility for an important project instead of feeling stress by taking on this additional responsibility.

When asked if they were “excellent at identifying opportunities,” nearly twice as many trackers agreed strongly with this statement than non-trackers (Fig. 7).

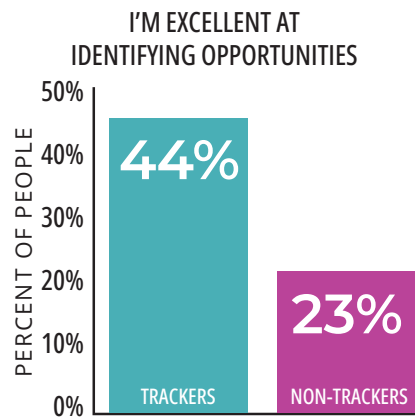


FIGURE 7

Trackers also appear confident in their ability to execute. When asked whether they agreed with the statement, “If I believe in an idea, no obstacle will prevent me from making it happen,” trackers were 80% more

likely than non-trackers to strongly agree (Fig. 8).

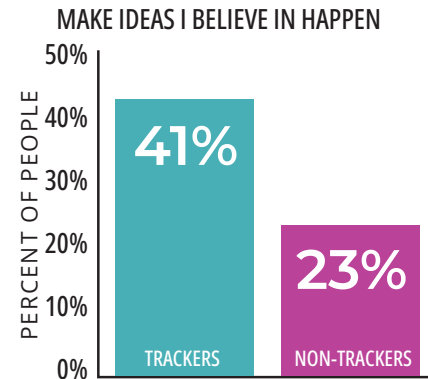
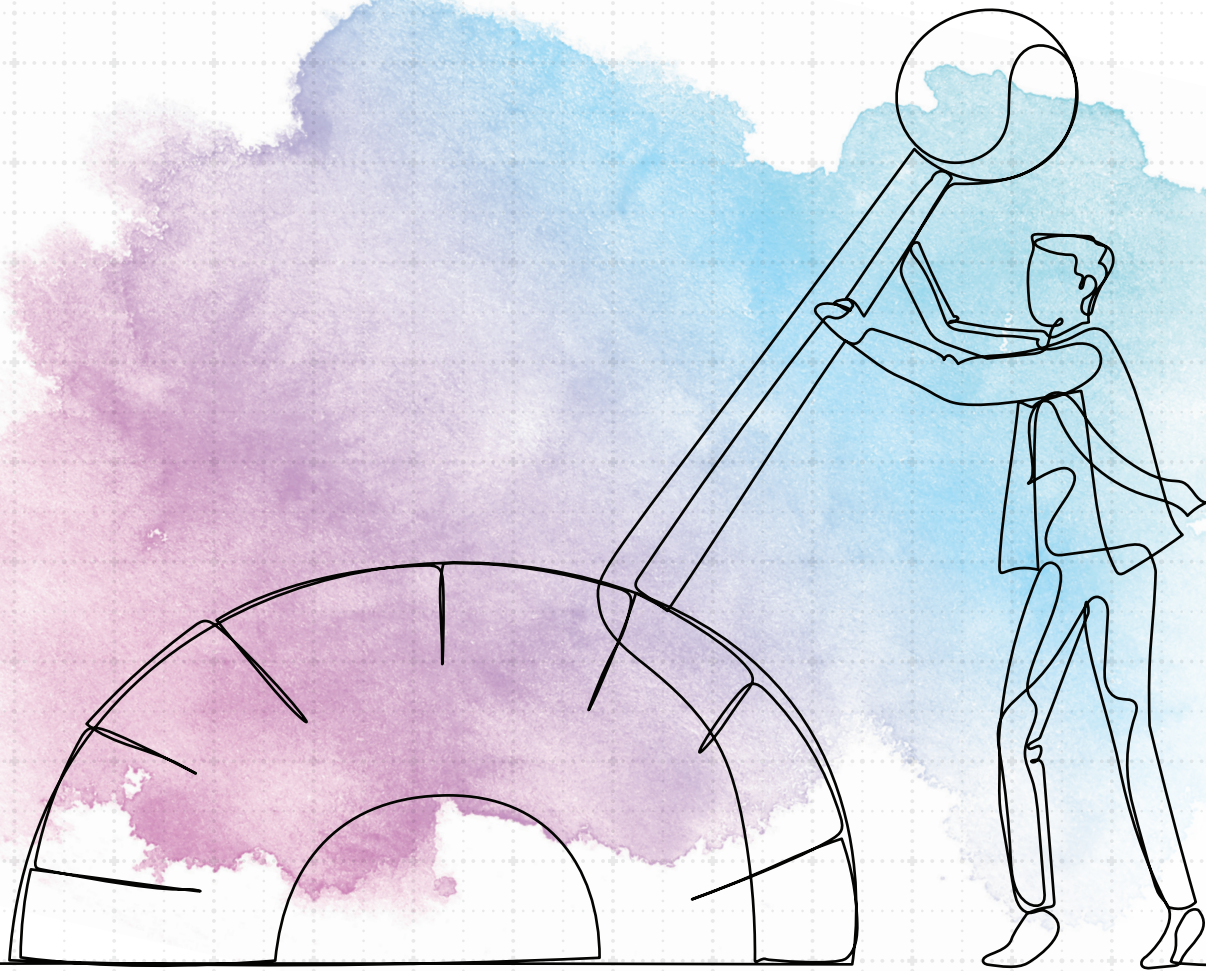


FIGURE 8

The substantially higher optimism and confidence of trackers compared to non-trackers highlights a crucial difference in mindset. The act of tracking involves a desire for self-improvement and a proactive approach to achieving long-term goals. It is not surprising that trackers are as proactive and goal-oriented in their professional roles as they are in their personal lives.

Employees who track their health and retirement savings are likely to value the ability to spend during retirement without worrying about exhausting their savings.



Optimism and Outcomes:

Trackers and Lifetime Income Solutions

Our research indicates that trackers are optimistic about the future and anticipate living better and longer in retirement compared to non-trackers. However, we aim to determine whether this optimism and future orientation translate into a desire for a retirement plan that provides lifetime income.

Additionally, we want to explore whether tracking impacts the demand for and adoption of lifetime income solutions in an employer-sponsored retirement plan, thereby offering further support for plan sponsors to consider providing lifetime income options.

Participants were asked the following question: “If your employer offered a new retirement savings plan with a mix of traditional investments and monthly income, would you:”

- **Have a more favorable view of that employer?**
- **Have the same view of that employer?**
- **Have a more unfavorable view of that employer?**

Among trackers, 68% reported that they would have a more favorable view of their employer if they offered a savings plan that blended investments and monthly income, compared to 54% of non-trackers (Fig. 9).

These responses suggest that trackers value lifetime income options in retirement more than other employees. Notably, most employees would view their employers more favorably if they offered a lifetime income option.

Trackers also have a more favorable opinion of insurance that protects against the risk of outliving one’s savings. Respondents were asked, “Imagine that you can buy insurance on your savings that would prevent you from running out of money if you lived a long time. The insurance would reduce the amount you could pass on after death. Would you buy this insurance?”

Trackers were twice as likely as

VIEW OF EMPLOYER OFFERING LIFETIME INCOME

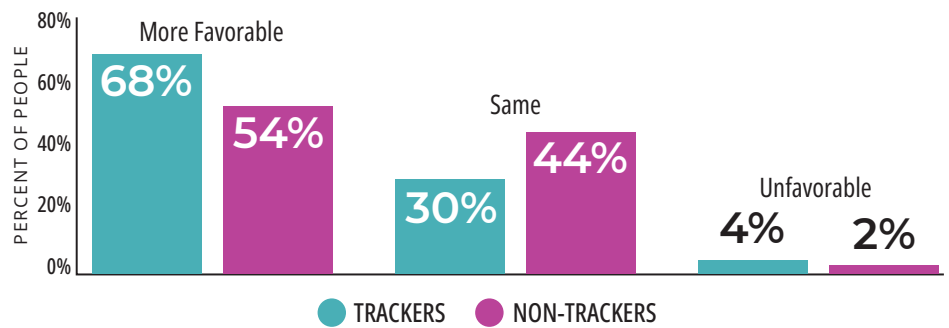


FIGURE 9

non-trackers to indicate that they would “definitely buy” insurance to prevent exhausting their savings during old age (Fig. 10). This is not surprising, as trackers often expect to live well into their 80s, according to their survey responses. Purchasing insurance to protect against the risk of outliving one’s savings allows trackers to spend more freely without worrying about over- or underspending.

DEFINITELY BUY LIFETIME INCOME INSURANCE

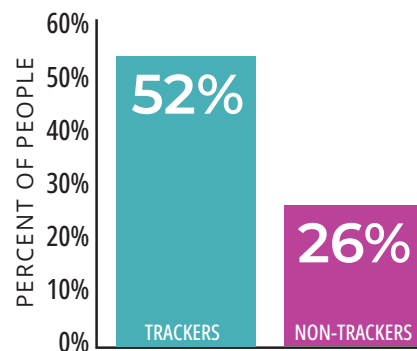
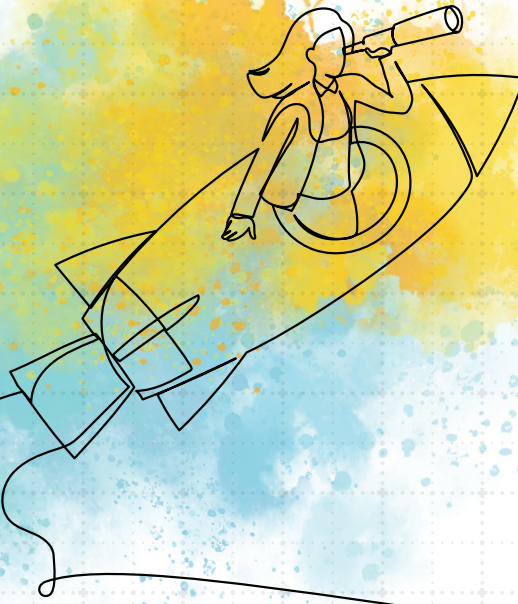


FIGURE 10

Despite differences between trackers and non-trackers in their willingness to purchase lifetime income, nearly all employees indicated a desire for their employers to offer lifetime income. When asked, “Do you wish your 401(k) plan provided an income in retirement like a pension?” **95% of trackers said they would like their**

employer to offer lifetime income solutions. This is likely because trackers see themselves as individuals who deliberately track success in various aspects of their lives, such as health, fitness, or financial wellness, and they likely recognize the need for guaranteed income to support a long, healthy retirement. Additionally, trackers tend to be more aspirational in how they view themselves and their behavior, exhibiting positive, conscientious, and engaging behaviors that employers value.

Interestingly, **91% of non-trackers also indicated that they would like their employer to provide lifetime income,** possibly as an acceptance of the existing plan option rather than as a proactive desire to plan for the future. For employers, this suggests that non-trackers are unlikely to reject lifetime income solutions available through their DC plan, even if offered as default. This provides reassurance that offering a lifetime income solution for all employees is the right thing to do for DC plan sponsors. However, non-trackers may utilize these options less frequently, providing an opportunity to cultivate more trackers—an archetype that benefits both the individual and their employer.



Key Takeaways:

As the first installment of this research, *The Power of Tracking* demonstrates, tracking progress can sharpen one's focus on developing and executing a game plan to live well in the future. The power of tracking lies in its ability to motivate individuals to create an action plan that helps them achieve their goals.

The findings of this study also suggest that mindset may be the most crucial motivator for behavioral change. To be motivated to alter habits, individuals must believe in their long-term goals and have confidence in their ability to shape the future through their actions. This research indicates that trackers place a higher value on their future well-being than non-trackers and believe that their actions today will enhance their ability to achieve their goals. These characteristics can significantly impact the workplace and influence how individuals approach retirement planning.

Employees who track health and retirement savings are more likely to value the ability to spend in retirement without worrying about exhausting their savings. These employees have made substantial investments in their health and believe that they will enjoy life well into their 80s and beyond. Trackers view employers who offer retirement solutions that include the ability to spend without fear of outliving one's savings more favorably than non-trackers. This suggests that offering lifetime income solutions can play a vital role in attracting and retaining proactive, forward-thinking employees.

Mindset plays a crucial role in shaping individual behavior and workplace engagement. An optimistic mindset influences how employees perceive risk, making them more open to exploring innovative solutions, adept at overcoming challenges, and helping them remain persistent in achieving long-term strategic goals. Employers who attract and retain talent with these qualities are likely to benefit from an engaged and productive workforce. In the next installment of *The Power of...*, we will further explore how mindset influences employee engagement and the power of....**Optimism.**



Pacific Life, its affiliates, its distributors, and respective representatives do not provide tax, accounting, or legal advice. Any taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor or attorney.

Pacific Life is a product provider. It is not a fiduciary and therefore does not give advice or make recommendations regarding insurance or investment products. Pacific Life, its affiliates, its distributors, and respective representatives do not provide any employer-sponsored qualified plan administrative services or impartial advice about investments and do not act in a fiduciary capacity for any plan.

Pacific Life refers to Pacific Life Insurance Company and its subsidiary Pacific Life & Annuity Company. Insurance products can be issued in all states, except New York, by Pacific Life Insurance Company and in all states by Pacific Life & Annuity Company. Product availability and features may vary by state. Each insurance company is solely responsible for the financial obligations accruing under the products it issues.