

## The challenge of present bias



**“I finally put something aside for my retirement. I put aside my plans to retire.”**

In her book *The Defining Decade*, psychologist Meg Jay describes an experiment in which researcher Laura Carstensen worked with twenty-year-olds to help them understand the importance of saving for retirement.

“Carstensen used virtual reality to help the subjects imagine their future selves. In one condition of her experiment, 25 subjects entered an immersive virtual reality environment and, in a virtual mirror, they saw digital representations of their current selves. In the other condition, 25 subjects entered the same virtual reality environment, but instead of seeing their current digital selves in the mirror, they saw an age-morphed version of their future selves. This second group saw what they will look like when they are old.

“After the subjects emerged from the virtual experiment, they were told to allocate money toward a hypothetical retirement savings account. The subjects who had seen their current selves in the mirror set aside payments averaging \$73.90. Those who saw their future selves set aside more than twice that amount, payments averaging \$178.10” [page 190].

This experiment speaks to a problem that psychologists call *present bias*. We inordinately favor the present and discount the future. We seldom try to imagine and give weight to, things that will happen in the future. It’s a human tendency that fuels addiction, procrastination, impatience, immediate gratification, poor planning, and other problems. We tend to grab immediate rewards and avoid immediate costs such

that our future well-being is jeopardized.

- We spend most of our income instead of saving for retirement. [78 percent of Americans say they're "extremely" or "somewhat" concerned about not having enough money for retirement.]
- While addictions may give us immediate gratification, we discount their long-term effect on our lives and relationships.
- Our eating habits are not influenced by a regard for our future health.

In Carstensen's experiment she helped young adults visualize the fact that one day they would be elderly, and that influenced their current decisions. We should try to replicate that same exercise in our own lives. Take time to reflect on the final decades of your life (average life expectancy for Americans is 78.6 years) and consider how your current lifestyle and decisions will adversely or beneficially impact your future.

"Planning is bringing the future into the present so that you can do something about it now." Alan Lakein