When Retirement Becomes a Digital Choice: Behavioural Determinants of Pension Confidence in Slovakia

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Abstract:

Digitalisation is reshaping the environment in which individuals make long-term financial and retirement decisions. Pension information, investment choices, and communication with financial institutions are increasingly mediated through digital channels, shifting greater responsibility to individuals while also exposing them to more complex risks, uncertainties, and information-processing demands. In such context, confidence in future retirement income becomes not only an economic outcome, but also a behavioural response to perceived financial security, institutional trust and the ability to navigate increasingly digital financial choice environments.

This paper examines the behavioural determinants of subjective retirement confidence in Slovakia, a Central European economy with a multi-pillar pension system combining a public pay-as-you-go scheme with a capitalised defined-contribution pillar. The analysis draws on a nationally representative sample of 400 working-age individuals. The dataset combines socio-economic characteristics, pension system participation, hypothetical portfolio allocation and behavioural measures capturing risk preferences, loss sensitivity and reactions to investment losses. An ordered probit model is used to estimate the relative importance of behavioural factors in explaining confidence in future retirement income beyond standard socio-economic determinants.

The results show that retirement confidence is strongly associated with education, age and behavioural attitudes toward financial risk. Risk tolerance is positively related to perceived retirement security, while loss-related attitudes shape how individuals evaluate long-term financial uncertainty. Current income does not provide a robust explanation of subjective confidence, suggesting that perceived retirement security is not simply a function of current economic resources. Participation in the funded second pillar is negatively associated with retirement confidence, suggesting that exposure to market-based pension arrangements may increase perceived uncertainty rather than strengthen subjective financial security.

The findings contribute to behavioural finance, pension economics and the debate on digital transformation by showing that digital access to financial choices is not sufficient to improve retirement confidence. As pension systems become increasingly individualised and digitally mediated, policy design must account for behavioural heterogeneity, risk perception and trust. Behaviourally informed communication, transparent digital pension interfaces and better-targeted financial education are essential to ensure that digitalisation reduces, rather than amplifies, inequalities in long-term financial security.

Keywords:

Digitalisation, behavioural finance, retirement confidence, pension systems, risk preferences, loss sensitivity, Slovakia.

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