Avoiding anchoring effects in credit card payment options: Exploring alternative information associated to credit card monthly statements

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One of the advantages of credit cards is the possibility of dividing the payment of the full debt into smaller monthly payments with the addition of interests. Credit card companies establish a minimum amount that should be paid each month and this value is usually displayed in the credit card monthly statement. This scenario presents a potential risk for consumers due to cognitive biases that could lead to unadvised decisions. The mere display of a minimum value to be paid can often work as a decision anchor leading to smaller payments, while difficulty in calculating compound interests and the influence of hyperbolic discounting can blind consumers to the exponential accruing of interests when paying the minimum and its financial consequences in the long term. To avoid this, we explored payment decisions for credit card statements which include supplemental information presenting estimations of time and amount with interest necessary to pay off the full debt for different options of payment regarding different percentages of the total debt, using either table or graph formats in two separate conditions. These were compared to a condition with presentation of a credit card statement which included a supplemental information that offers the same estimations but for a single payment option (as established by the US CARD Act of 2009) potentially producing a new decision anchor and compared to a

control condition (presenting only the minimum payment). Results indicate that the proposed supplemental information, either in a table or graph format, leads to higher monthly payments than the CARD Act and the control condition, attenuating the anchoring effects of displaying fixed payment options (e.g., amount to pay-off the debt in 2 years; minimum payment). These findings suggest new designs for credit card statement that may contribute to lead consumers to better decisions when paying off credit card debts.

Keywords: Credit card; CARD Act; Information disclosure; Debt; Financial decision-making