Segmentation of Pension Plans Participants: Identifying Dimensions of Heterogeneity
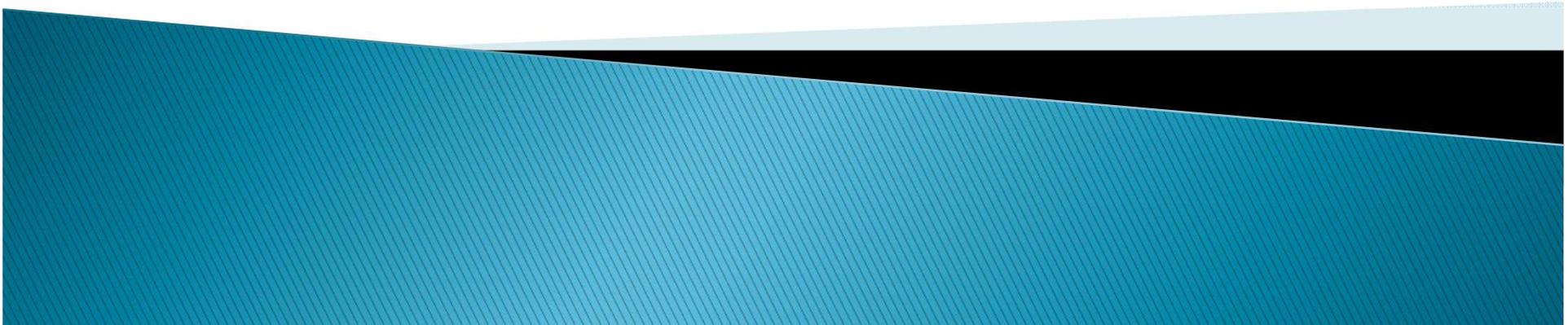
paper by

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General impressions (1)

- Very interesting literature review referring to both pension design and behavioural economics

- Providing a clear direction of the literature review
  - Life-events do not have a univocal effect on savings for retirement,
  - The positive effects of education on saving for retirement might be of a diversified causality,
  - Little room for financial literacy is to be played as interventions in this realm explain only 0.1% of the variance in financial behaviour,
  - Default design of the Dutch pension system is not to encourage any activity of participants.

General impressions (2)

- Relation between health promotion and saving for retirement – well placed, appealing analogy

    ◦ In the case of savings for retirement (in contrast to health promotion policies) negative outcome of procrastination is certain if no actions are taken

- As the text generally strives for shortening, this part is too detailed.

Structural links
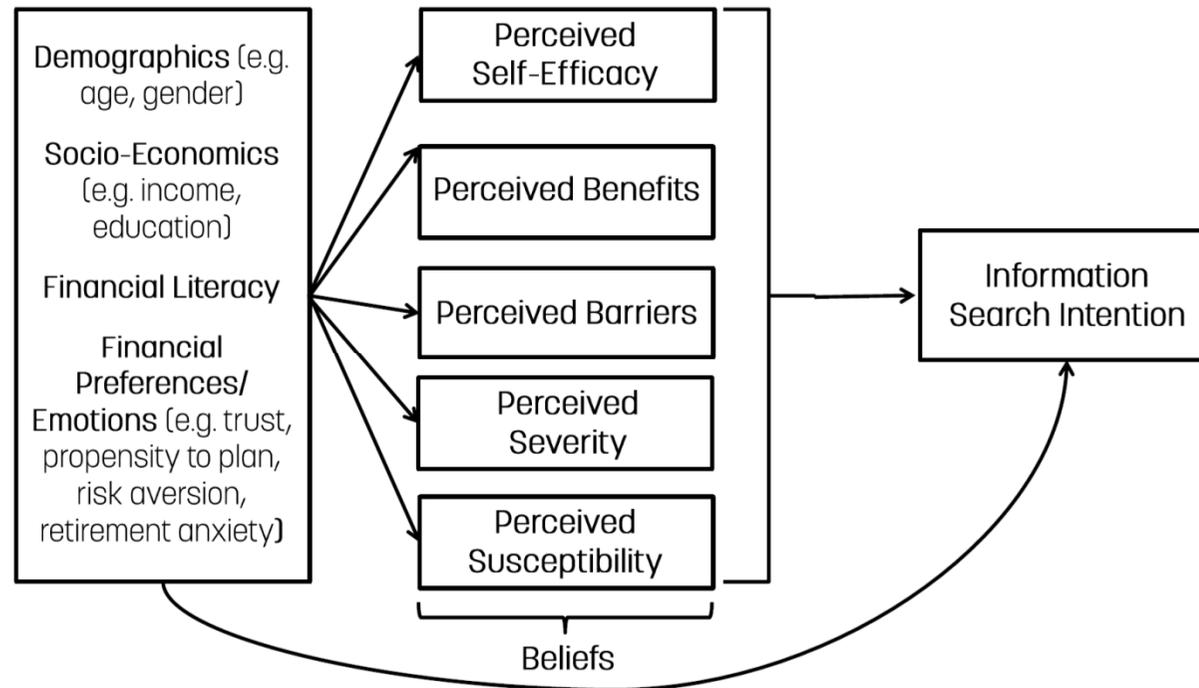
- Financial preferences/emotions – their causal influence on Perceived Barriers, Perceived Self–efficacy, Perceived Benefits, Perceived Severity and Perceived Susceptibility needs more justification

Some criticism

- The empirical study suffered from a very low response rate ca. 8%. Due to this various selection biases might be present (esp. because participants were encouraged by a lottery ticket).
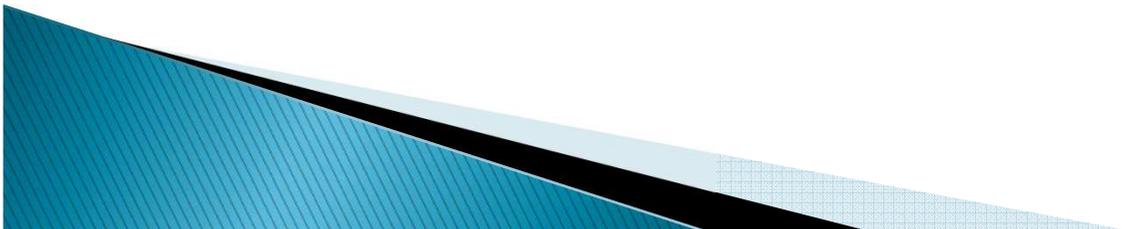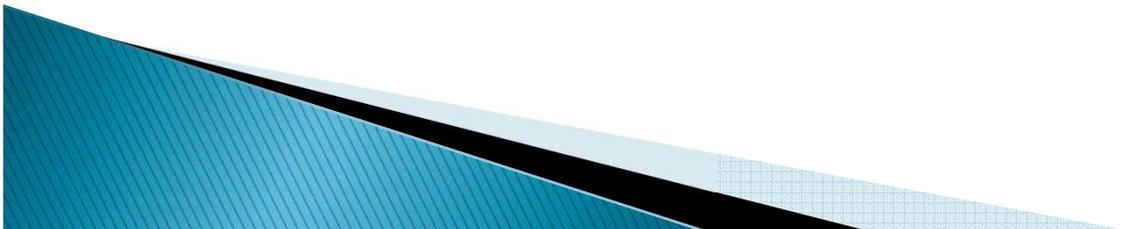
Segmentation

▶ I miss the information which variables were used to obtain segments. Is it

  ◦ Perceived barriers, Perceived self-efficacy, Perceived Benefits, Perceived Severity and Perceived Susceptibility, or also

  ◦ Socio-economic characteristics.

▶ Multi-group analysis is normally done when different groups (men vs. women, young vs. old) are compared with respect to equality of coefficients. Here, if I understood correctly, regressions for different segments are made.

  ◦ In such a case it is also no surprise that higher R2 are obtained for separate groups.

Conclusions

▸ Very interesting topic,

▸ Additional developments in conceptualisation of the model might be beneficial to the paper

▸ The segmentation is currently not fully justified (purpose)

Questions

▸ What kind of policy implications can you derive from your conclusions? How would you design a policy to increase information search intentions?

▸ Can the information about segment membership be used by financial companies to improve information search?