

- Flicking the switch: how fee and return disclosure drive retirement plan choice

- Bateman, Dobrescu, Newell, Ortmann, Throp

-

- Discussant Anna Maffioletti

- University of Turin

- Very Good paper !
- A good mixture between survey methodology and lab experiment
- The aim is to see how the presentation of information can influence the choices
- Which piece of information is more easily processed and valued by subjects and can consequently lead to a more efficient choice between pension plan

Subjects are presented with a survey

Comprehension

Demographic

Numerically literacy

Financial literacy

Pension plan literacy

Very well design and accurate even from a experimentalist point of view

Same scale , same graphical form use of same words etc.

Lab experiment

- Manipulation of two variables : fee and historical return
- Choice between two plans A and B
- Change one of the variable
- Fee : ascending, descending
- Return : ascending and descending
- Return two representation : table and graph
- Between subject design
- Real effort incentive:
- Subject paid according to their choices
- Risk constant

Return

Descending Ascending

Graph Table

High volatility

Low volatility

Your explanation : with high volatility more noise

With low volatility : subjects may think that past return are not a good signal

Suggestions: high volatility increase also aversion to loss, negative emotion

Incentive set up

- Participation fee
 - Bonus
 1. effectively chosen plan
 2. Comprehension question
 3. Literacy question
 4. Number of correct answers
- Why? Paying equal attention ?

Your results are intriguing

- Use more fee than return information
- evaluate quite a lot return but they do not use in actual choices
- Your explanation is that return is more salient but then why do not use it ?
- Graph and tables no difference
- In case of fee treatment they switch to the optimal pension plan before even if with some delay

Conclusion

- Free information is lead to more efficient choices because it is more easily two compare the two plans
- This is certainty true
- Work for an other experiment
- Literature in decision making on this in choice under uncertainty
- But be aware that there are also what are called context effect

The number of choices included in the choice set can change the ranking of the elements contained in choice set.

General question

People do makes bias and heuristic do this lead to efficient choice ?