

Personalized Information as a Tool to
Improve Pension
Savings: Results from a Randomized Control
Trial in Chile

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Summary

- Trial experiment: personalized information to some customers of tax-information-centers
- Pension savings of the treatment group increased slightly
- Other possible responses are less evident
- The authors conclude that extra information, without a nudge, helps in making financial decisions

Introduction Responses

- You show pension shortages to people and they could:
 - Save more in pension system → studied here
 - Save outside pension system → dealt with by phone interviews
 - Work more, delay retirement, 'formalize' work → assumed
 - What does this mean? Is it a sort of 'ceteris paribus'?
- Are voluntary contributions tax-exempted? Did you inform about this? If so, are individuals contributing more because of their pension shortages or in order to gain larger tax exemptions?
- More in general, some responses can be immediate and repeated over time (savings) but others are deferred and one-off (postponing pension age).

Who makes the error?

- Simulated pension: how did you deal with possibly different future scenario's? How do u make sure that your scenario corresponds to that of the individual?
- Which simulation of the 2000 did you use? Whose error is this?

$$Error = \frac{Simulated\ Pension - Expected\ Pension}{Expected\ Pension}$$

- You present them with 3 pieces of information: optimistic, mean and pessimistic ... reception will depend on whether the individual is optimistic or not.

What is a 'good' decision?

- Your conclusion is that extra information helps making decisions. Is it a good thing that pension savings increased? Was it not better if other types of savings were to increase?
- What makes pension savings a good investment choice?
 - Commitment?
 - Cohort returns?
 - Scale advantages?
- What makes pension savings a less good investment choice?
 - Not disposable
 - Not flexible
 - Redistribution?

Model

- Should you not include an interaction term between post-treatment period and treatment group indicators?

$$Y_{i,t} = \alpha + \beta T + \gamma Y_{i,(t-1)} + \delta X_{i,(t-1)} \mu_t + \epsilon$$

- Is it ϵ , or is it ϵ_i , or ϵ_{it} ?
- Did you check the common trend assumption?
- Attrition in survey is 60%. Test attrition dummies?

Selection issues

- Why does one visit a location with a module? Are those less financially literate people in need of advise?
- The 8 months period after treatment also selects those who are “quick enough” in adapting their savings
 - Hint: show if respondents differ in main observables when they increase savings after say 4 or 8 months.
- Presence of an agent requires one to accept the help, and thus show their inability to use the module. Does this select even further?

Results

- *“We find that receiving personalized information regarding the pension system did increase, but not significantly so, the probability of having other savings for retirement. It did significantly increase the savings outside the system by about 80 percent.”* ... is this in line with previous literature? Is it desirable?
- *“our experiment also shows that personalizing information may lead some individuals to reduce their savings behavior. [...]. It does, however, point out to the need of trying to still reinforce savings motives even when individuals receive a “good news”* ... but why should these be savings with a pension fund?