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Discussion: Financial Literacy and Saving Account Returns

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Summary

- Empirical study using DHS supplemented with administrative data on individual account returns and other characteristics
- Investigate the relationship between financial literacy and returns earned on savings accounts
- Increase in financial literacy by 1 std dev. increases returns earned on savings accounts by 13% wrt. the median return
- Substantial welfare effects: Moving a hh from the lowest to the highest financial literacy quartile will lead to additional accumulated sum of almost €1000 over 10 years.



Great Paper!

- Very important topic: saving accounts are owned by 80% of Dutch hh; 43% of financial wealth is held in savings accounts
- Well motivated and explained
- Very elaborate data work
- Many sensitivity checks



- Regional dummies as proxy for local banking market
 - Proxy local competition by looking into the no. of bank branches in the region / available offers
- Decreasing interest rates in age of the respondent
 - Intertia
 - When was the account opened? Under which conditions?
 - Are there hh who change their savings accounts regularly?
 - What is the role of teaser rates?



- Channels:
 1. Shopping around for the best offer: Accounts level regression
 2. Intra hh optimal allocation of funds: Can be tested more directly
 - Construct a „lost returns“ variable: i.e. compare the potential returns, if the hh had allocated all assets to the account with the highest return and subtract the actual returns.
 - Same approach would also be possible with the potential returns at the same bank.