Discussion:
Financial Literacy and Saving Account Returns
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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 households; 43% of financial wealth is held in savings accounts
- Well motivated and explained
- Very elaborate data work
- Many sensitivity checks
Critique

• 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?
Critique

• 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.