



The Willingness to Pay, Accept and Retire Schreiber, Merkle and Weber

**Discussion by
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Retirement planning A Financial Decision



Work long, retire late
High income after retirement

vs.



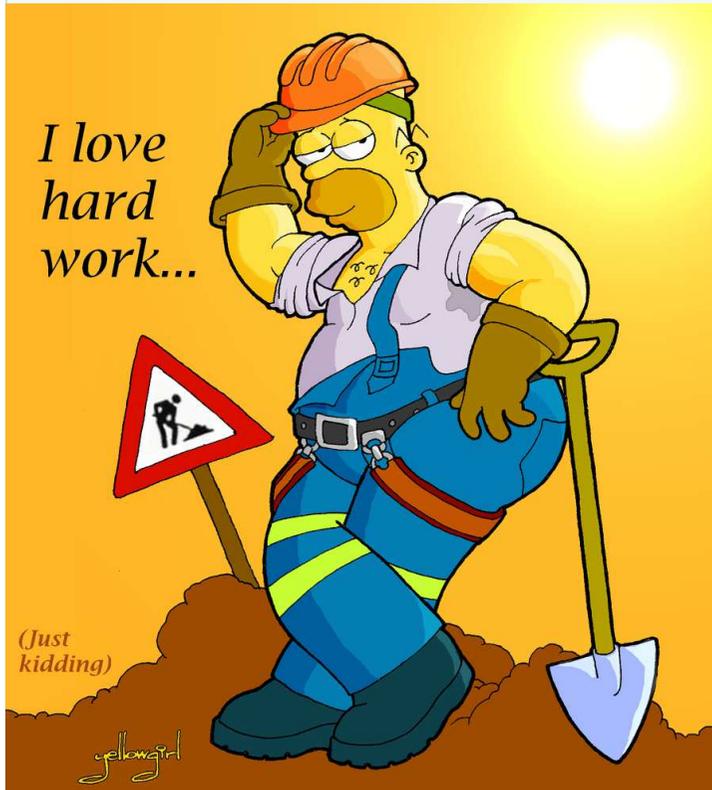
Work less, retire early
Low income after retirement

WTA vs WTP

- Study shows that WTA is larger than WTP
- Strong bias even in well educated sample
- Evidence on role of loss aversion
 - WTP related to measure of loss aversion
 - Signal on what is used as currency in task

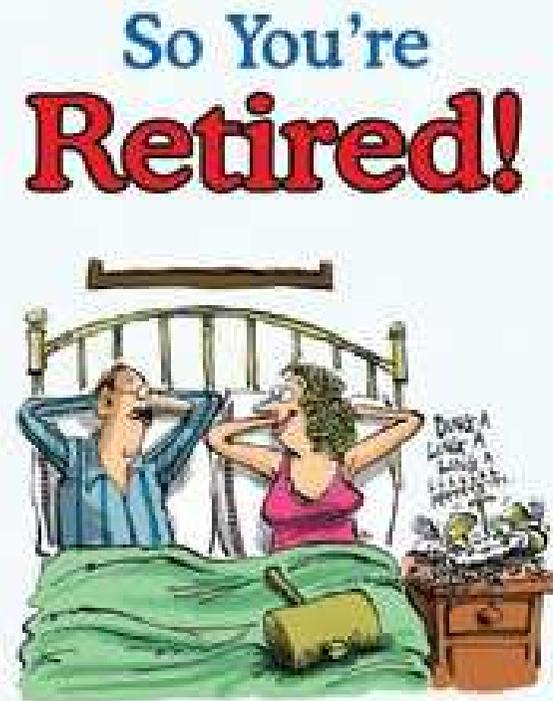
Retirement planning

A Decision to Work (or not)



Work long, retire late
High income after retirement

VS.



Mike Haskins & Clive Whichelow

Work less, retire early
Low income after retirement

What is the currency?

- Assumption + Frame: Income (gain or loss)
 - Assumes retirement planning is ret. age plan
 - People rarely pay with income
- Free time
 - Gain or loss of time being retired
 - How much later/earlier do you want to retire
- Job time
 - Gain or loss in time being active in labor force
 - How much longer/shorter do you want to work

Is choice more neutral?

- You can choose to retire at 63 or at 67. This choice will affect your income.
- What do you prefer?
 - Retire at 63 with low income
 - Retire at 67 with high income
- Research shows more normative decisions in comparison mode
 - Not obvious what is gained or lost
 - Bazerman on ethical choices

Policy implications

- With loss aversion, a nudge using the desired choice/state as reference point will always work
- The German case:

“Besides pension benefits at full retirement age it is also possible to claim benefits earlier. This will permanently reduce pension benefits as well as a possible dependent’s pension.”

What is the right policy/nudge?

- Can we really elicit individual's preferences when they suffer from biases?

Minor questions

- Social security contribution is capped at twice average income.
 - Is this complemented with private pensions?
 - Do we then observe the full trade-off in high income sample?
- Why is the market return not the same in the two scenarios?
- Literature on time vs money

Thanks!