Discussion:
What Hinders/Helps Retirement Saving?

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Two very interesting studies!

Alycia Chin, Heidi Johnson, and Brianna Middlewood: “Deepening Our Understanding of Savings Automation in Retirement and Non-retirement Contexts”

Shane Timmons and Féidhlim McGowan: “Does it All Add Up? New Experimental Evidence for ‘Undersum Bias’ as an Impediment to Precautionary Saving”
Synopsis Chin et al.

- Useful overview of savings automation for retirement and non-retirement accounts in the US.
- Discuss +/- effects of autoenrollment, auto escalation, auto default into TDFs.
- New evidence on heterogeneity of automation’s impact by employee demographics.
- No discussion of auto-annuitization, although the tide is rising!

Suggestions

1. Give estimated effects in Table 1! Will maximize your citations.
2. Include newer studies:
3. Stress need for longer time periods:
   - Choukhmane (WP updated 2024): Default Options and Retirement Saving Dynamics. autoenrollment gains attenuated after 36 months.
4. Emphasize need for admin data:
   - Chetty et al. (2014). Active vs. passive decisions and crowdout in retirement savings accounts: Evidence from Denmark. QJE
Synopsis Timmons & McGowan

• Overview of lab & field experiments on a novel new concept: “undersum bias.”
• People can’t add, project future expenses, or value risk of financial shocks!
• Hence are not motivated to start saving when young.
• Intervention: debiasing calculator helped boost retirement saving substantially in the lab & field.

Suggestions

1. Follow respondents longer to check if the debiasing persists.
2. Further differentiate between math illiteracy, projection difficulty, and ambiguity aversion.
3. Consider inexpensive ways to inform subjects: e.g., rules of thumb like “law of 72” for exponentiation.
4. Incentive people to pay closer attention? (check time spent on questions).
5. Compare retirement vs emergency saving.
In closing:

- Still much to learn about how to boost retirement saving.
- Finding what works change takes time: will automation backfire?
- Inequality impacts: Are those who do best better-off & more financially literate? If so, will inducements mainly help them?
- Do the poor really need to save more?

SocSec RR 90% for the low paid.

Thank you!

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http://www.pensionresearchcouncil.org/