Discussion:
What Hinders/Helps Retirement Saving?

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1

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"

2

2

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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!

3

3

Suggestions

1. Give estimated effects in Table 1! Will maximize your citations.

2. Include newer studies :

- Reuter (2024): Plan Design and Participant Behavior in Defined Contribution Retirement Plans: Past, Present, and Future. PRC

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 crowd-out in retirement savings accounts: Evidence from Denmark. QJE

4

4

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.

5

5

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. 6

6

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.

7

7

Thank you!

Wharton's Pension Research Council:

http://www.pensionresearchcouncil.org/

8

4