

Subjective Pension Knowledge Increases Retirement Savings

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Motivation

- 4 out of 5 of US working age people do not have retirement savings that at least equals their annual income¹
- In the Netherlands, 1 out of 3 of the general population will be unable to pay their subjective minimum expenditures during retirement²
- Earlier research:
Financial literacy improves savings decisions³, but financial literacy only explains 0.1% of the variation in financial behavior according to a recent meta-study⁴

Research Question

What drives private retirement savings decisions: actual knowledge or confidence in knowledge?



Data and Methodology

789 Dutch pension plan participants

- **Actual pension knowledge:** quiz on pension fund's website
- **Subjective pension knowledge:** measured before the pension quiz
- **Dependent variable:** having saved privately in the last 3 months (yes or no)

Example Literacy Question

If you retire and have worked for 40 years, you will get approximately 70% of your final salary. True or False?

Subjective Knowledge Question

Do you think that you will be in the best or the worst half of all participants concerning your pension knowledge?

Discussion

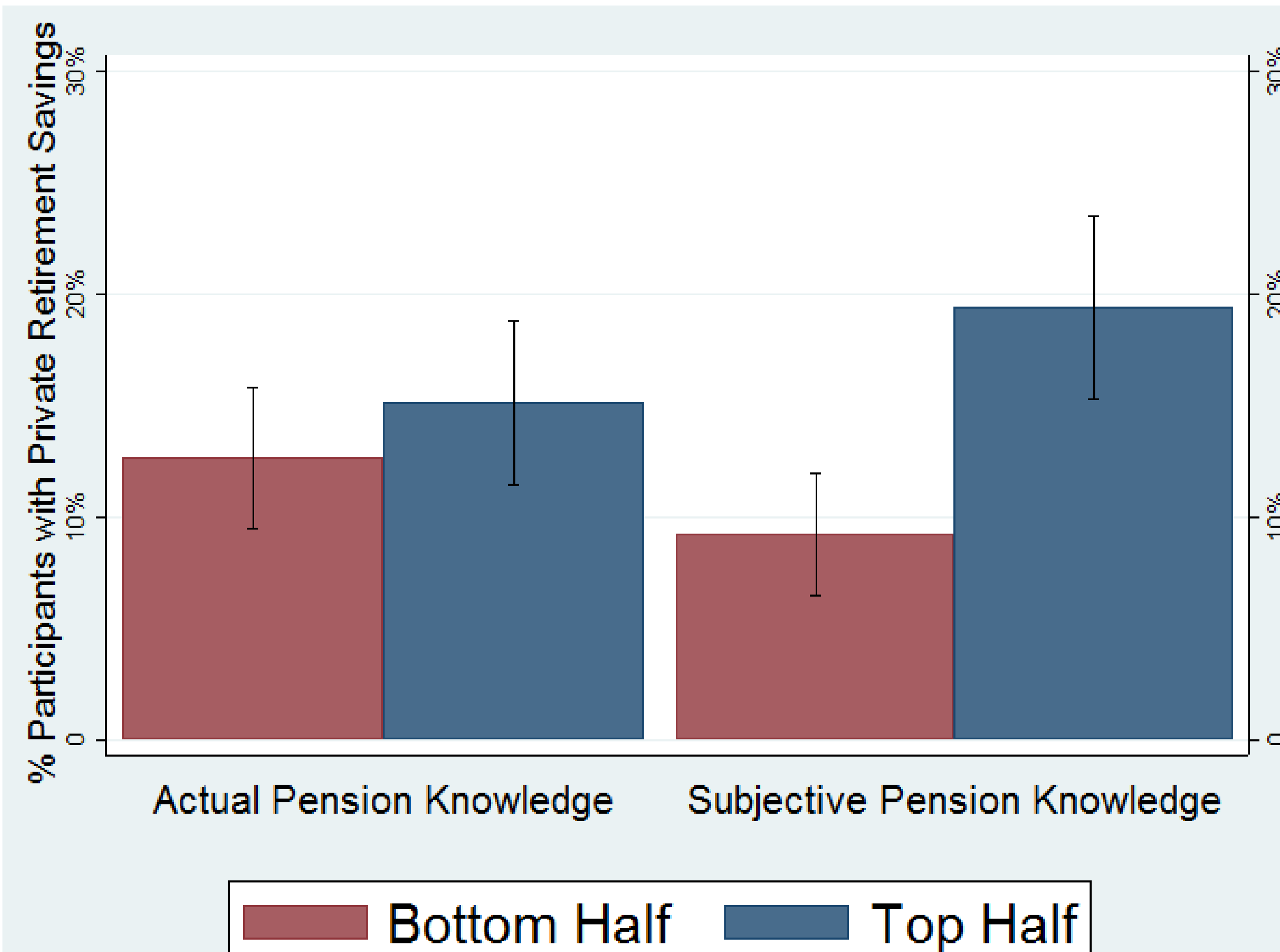
- Private retirement savings is predicted by subjective pension knowledge, not by actual pension knowledge
- Increasing objective knowledge might decrease subjective knowledge⁵
- Seminars and trainings should not only focus on increasing actual knowledge, but also subjective knowledge

References

- ¹Rhee, N. 2013. National Institute for Retirement Security.
²de Bresser, J. & Knoef, M. 2015. Labour Economics, 34, 100-117.
³Van Rooij, M, C.J., Lusardi, A., & Alessie, R. 2012. The Economic Journal, 122, 449-478.
⁴Fernandes, D., Lynch, J.G. & Netemeyer, R.G. 2014. Management Science, 60(8), 1861-1883.
⁵Hadar, L., Sood, S., Fox, C.R. 2013. Journal of Marketing Research, 50(3), 303-316.

Result

Private retirement savings is predicted by subjective pension knowledge, not by actual pension knowledge.



$t(787) = 1.0093, p = 0.313$

$t(787) = 4.1489, p < 0.001$

