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# How Financial Literacy and Impatience Shape Retirement Wealth and Investment Behaviors

Justine S. Hastings

Olivia S. Mitchell

*Discussant: Anya Savikhin*

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# Main Study Components

- Participants complete *Chilean EPS* and a *financial literacy survey*
- Study 1: Participants randomized to receive different information frames and then rank funds – gain/cost, and pesos/APR
- Study 2: Each participant chooses to receive gift card ‘now’ or ‘later’ – choice of delay and follow through is measured – later amount randomized across subjects



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# Framing Study Takeaways

- Framing has an effect – showing the “Gain” worksheet has a significant positive impact on choices
- The effect was strongest for individuals with low financial literacy
- *“...level the playing field across socioeconomic groups and enable participants to commit to take actions now for greater gains later.”*



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# Framing Study Comments

- Highlights the importance of information presentation on decision-making

(one of my great interests  )

- Clean setup for investigating effects of framing information on understanding - large sample size



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# Time Preference Study Takeaways

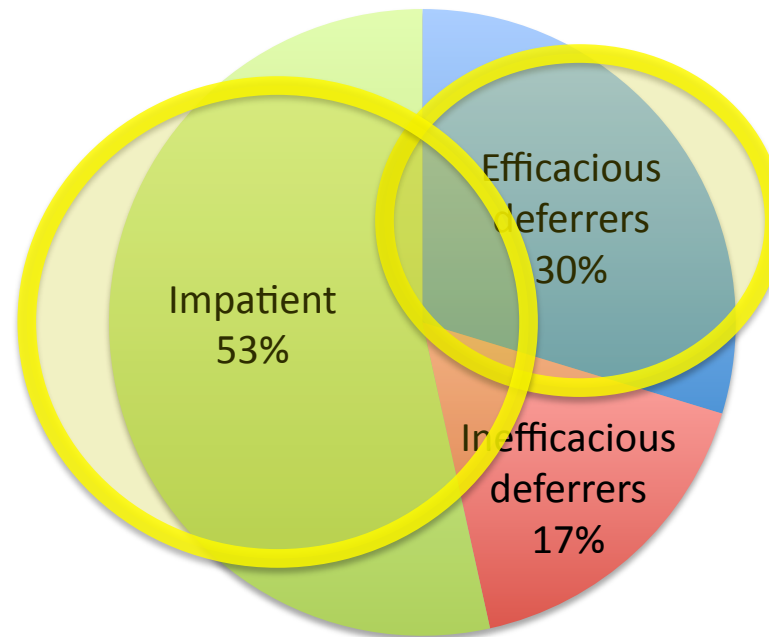
- Positive link between financial literacy and education with time preferences
- Controlling for education and literacy, **those who select 'Now' have 25% lower odds of making voluntary contributions to their pension plan compared to those selecting 'Later'**



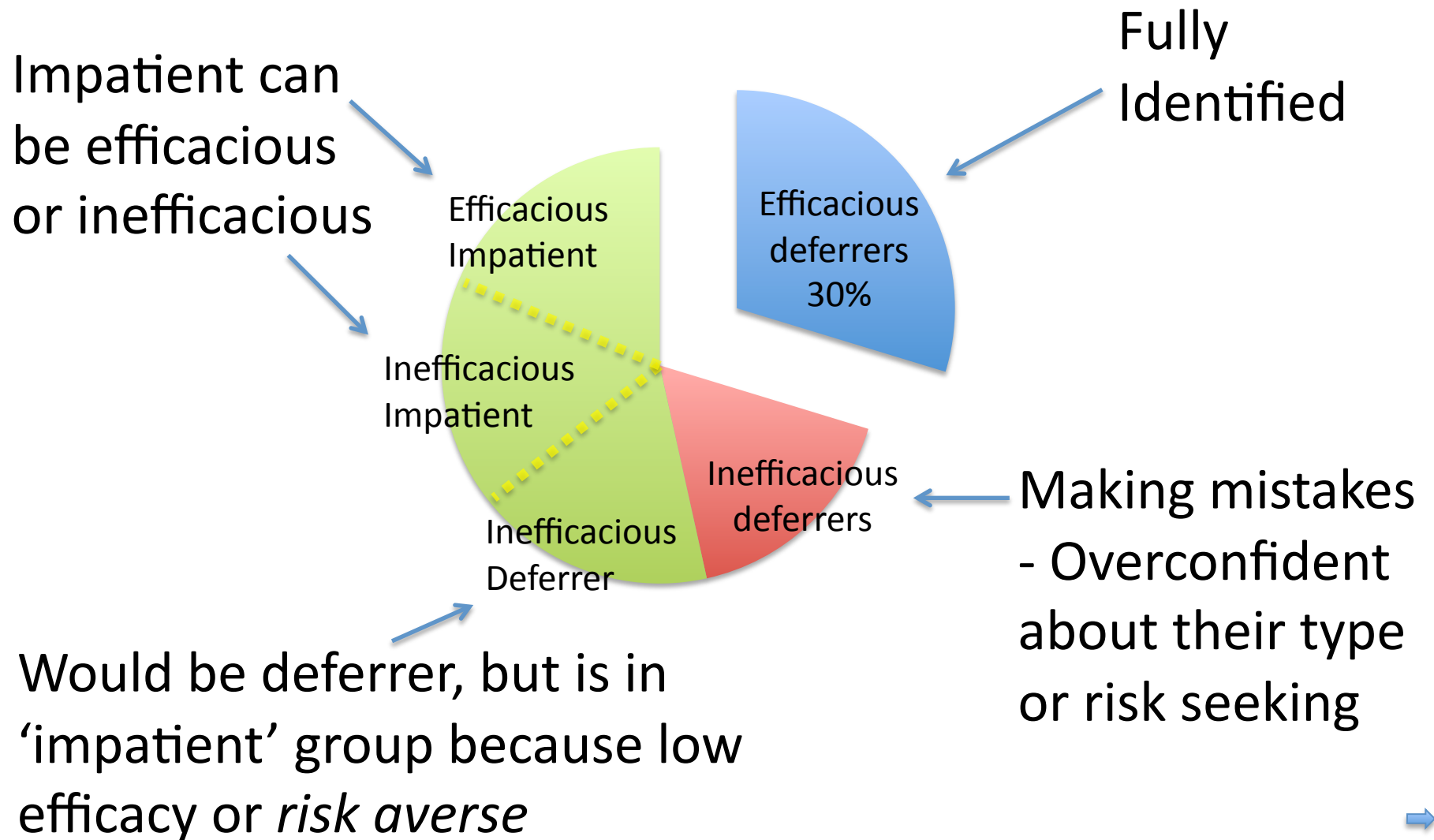
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# Time Preference Study Comments

- The study introduces the different types of respondents – on levels of **time preference** and **efficacy**
- Interested in those who can defer and follow through



# Unobserved 'Types'



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# Another Reason to Choose 'now'

- **Low Self-Efficacy:** low expectation about one's ability to execute a behavior
  - Select 'now' because aware or expect they will not follow through, but would choose 'defer' otherwise
- **Motivation**
  - Self-efficacy strongly correlated with health behavior change (Strecher, 1986; O'Leary, 1984, Schwarzer & Fuchs, 1995)
  - Self-efficacy positively related to financial knowledge (Heckman S., et al., 2011; Stokes and Polansky, 1999)
  - Self-efficacy can be manipulated to encourage health change



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# Overall

- An excellent study for moving forward our understanding of the effects of financial literacy and time preference on savings decisions
- Effectively uses both experimental data and self-reported survey data on a large scale
- Broad policy implications
  - Data presentation as a way to assist in choices despite low financial literacy?
  - Using time preference as a predictor of financial and health choices?

