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Annamaria Lusardi
Dartmouth College and Harvard Business School

Financial education in the workplace

- Most large firms offer some form of financial education in the work-place
 - Variety of reasons: from helping workers to satisfying regulatory constraints
 - Variety of methods: from brochures to retirement seminars
 - Effect of financial education on behavior is mixed
 - Four projects that provide insights on which to build
 - Berheim and Garrett (2003)
 - Duflo and Saez (2003)
 - Clark and d'Ambrosio (2002-2008)
 - Lusardi, Keller and Keller (2007)
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Evaluating the effects of financial education

- Difficulties in evaluating financial education programs (Bernheim and Garrett)
 - Retirement seminars are *remedial*: offered in firms where workers save the least
 - Those who attend the program are not a random group of workers: could be those who already have a proclivity to save
 - Attending seminars may simply affect “reporting”
 - Lesson: Hard to detect the effects of financial education
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A rigorous evaluation of financial education

- Gave a randomly chosen group an incentive (coupon of \$10) to attend a benefit fair and compare the behavior with a similar group of employees (Duflo and Saez)
 - Compare the behavior of a “treatment” and a “control” group
 - Large peer effects in pension contribution but little effect on retirement savings
 - Lesson: Workers learn from colleagues and people around them
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The effect of fin. education: Intentions vs actions

- Consider both intentions and actions to change age of retirement and retirement savings after financial education seminars (Clark & d'Ambrosio: TIAA-CREF)
 - After attending a financial education session, employees stated intentions to change retirement age and retirement savings (participation, contribution and asset allocation)
 - Large gender effects: women more responsive
 - Intentions did not translate into actions
 - Lesson: Need to provide ways to translate intentions into actions
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Discussion

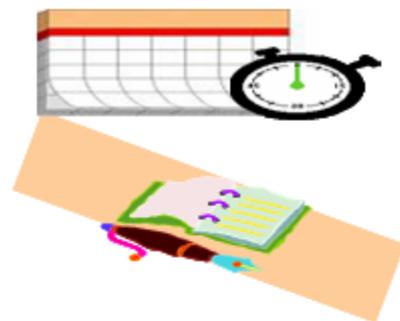
- Many workers are left untouched by financial education programs
 - Many workers do not take advantage of these programs
 - Many workers work at firms that do not offer financial education (ex: small firms)
 - Current financial education programs are insufficient
 - One-time one-size-fits-all seminars are unlikely to work given low levels of financial literacy and large differences among workers
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New Ways to Make People Save: The Dartmouth Project

- Facilitate the transition from intention to actions
 - Gave employees a planning aid that explains in 7 simple steps what need to be done to enroll in supplementary pensions
 - Exploit the power of “peers”
 - Provided testimonials on how employees overcame barriers to saving
 - Targeted the groups that saved the least
 - Women & low income employee
 - Provided a rigorous evaluation
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We have outlined 7 simple steps to help you complete the application.

- 1. Select a 30 minute time slot** right now to complete the online contribution to your Supplemental Retirement Account (SRA) during the next week.
- 3 minutes. Check to see if you have the following materials:** a) worksheet in your benefits packet ✓ , and b) the name and social security number of a beneficiary ✓ .
- 3. Select the amount you want to invest for 2006** (minimum: \$16/month, maximum: \$1,666.67/ month), even if you don't know your take-home pay in your first month. If you want, you can change this amount at a later date. This voluntary contribution is tax-deferred, you will not pay taxes on it until you withdraw the funds.
- 5 minutes. Select a carrier.** if you do not select a carrier, Dartmouth will invest the non-voluntary portion of your college funds in a Fidelity Freedom Fund, a fund that automatically changes asset allocation as people age.
- 5 minutes.** Now you are **ready to complete your worksheet.** Complete the worksheet even though you may be unsure of some options. You can change the options in the future.
- 6. Take your completed worksheet to a computer** that is available for 20 minutes. If you like, you can use the one in the Human Resources office at 7 Lebanon Street, Suite 203.
- 15-20 minutes. Log on to Flex Online and complete your online SRA registration** within the 20 assigned minutes. Be sure to click on the investment company (TIAA-CREF, Fidelity, or Calvert) to complete the application. You need to set up your account – otherwise your savings will not reach the carrier.



Fidelity.com



Calvert



FlexOnline
100-Year Legacy Funded

Don't give up! Contact the Benefits Office (6-3588) if for any reason you could not complete the online application.



It takes no time to prepare for your lifetime!

Most people plan on electing a supplemental retirement account, but feel they don't have the time or information right now. We have outlined 7 simple steps to help you complete the election process. It will take between 15 – 30 minutes, from start to finish. It will take less time for you to start to insure your future than it takes you to unload your dishwasher!

The power of peers: In their own words

Link to video

http://www.dartmouth.edu/~hrs/benefits/saving_for_retirement.html

Program Effectiveness

	30 days After Hire	60 days After Hire	Number of Observations
Control Group	7.3%	28.9%	210
7-Step Planning aid	21.7%	44.7%	166

Comments

- Financial education vs automatic enrollment?
 - Workers have to make a lot of financial decisions
 - Financial education and automatic enrollment are complements not substitutes
 - Very important to “simplify” financial decision-making
 - Exploit “teachable” moments
 - Start of a job, promotion, tax time, etc.
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