

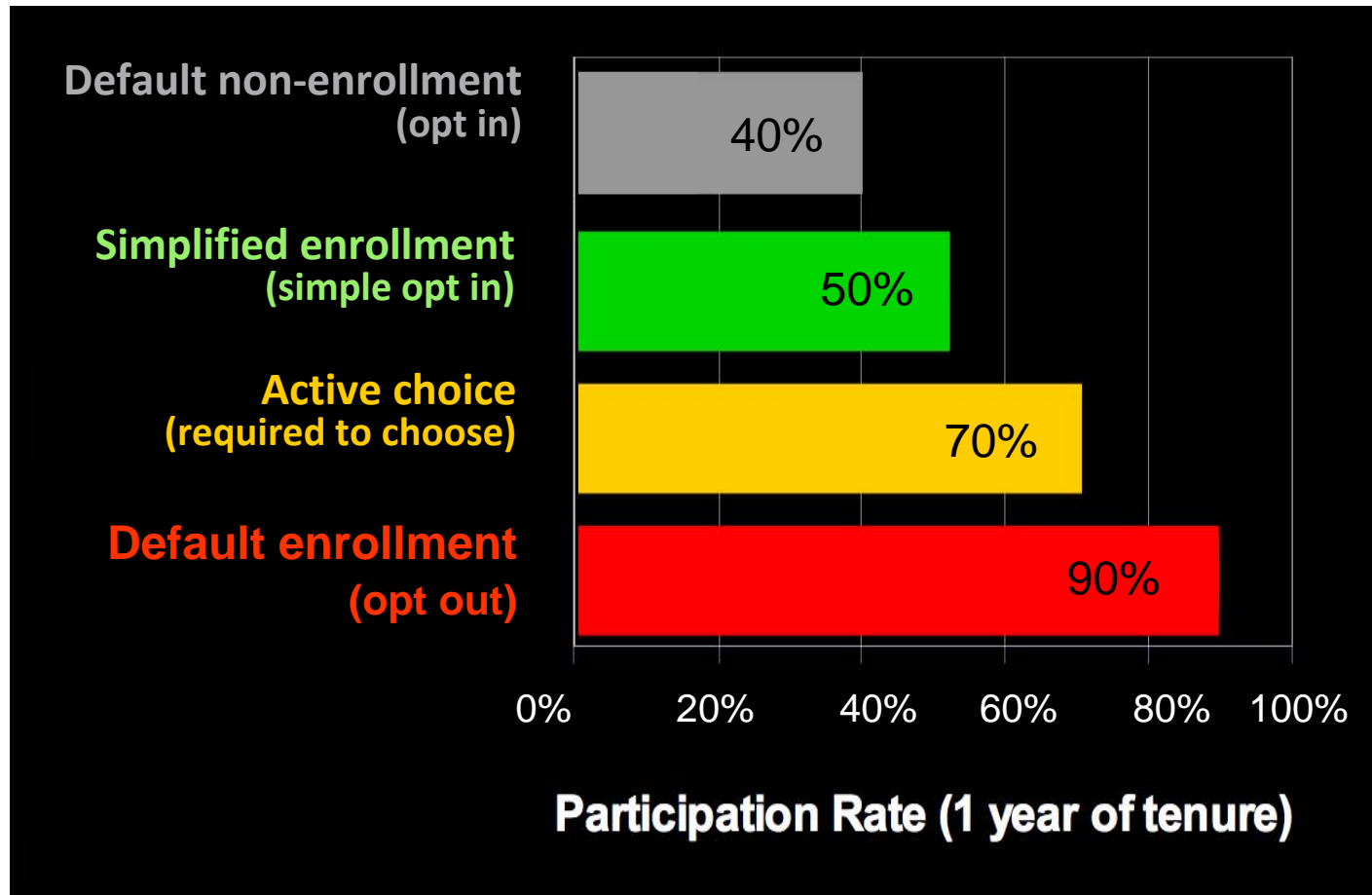
Optimising Accumulation and De-accumulation in Long-term Savings Plans

The European Colloquia Series, London 2010

David Laibson, Harvard College Professor



Institutional details drive participation rates in tier 2 savings schemes



Sources: Carroll, Choi, Laibson, Madrian, and Metrick 2009; Choi, Laibson, Madrian 2010

Institutions effectively control savings behavior

- Most households intend to save but don't follow through
- Gentle institutional “nudges” make an enormous difference
- We have a growing menu of nudges that are proven to work
- Two key dimensions for savings nudges:
 - Participation (e.g., opt-in, quick-enrollment, active choice, opt-out)
 - Savings rate (e.g., default savings rate could be as low as 2% or as high as 12%)
- Raising accumulation is critical in light of demographic trends
- Next trend: using nudges to encourage annuitization