

Retirement Savings Laboratory



SMS reminders to promote voluntary savings in Mexico



WHAT IS IT?

In Mexico there are multiple ways for workers to contribute to the pension system directly and voluntarily. However, only 6.8% of individual Retirement Savings System (SAR, for its Spanish acronym) accounts have voluntary savings. Lower-income workers are especially disconnected from pension savings systems, although many have an individual account registered with a Retirement Fund Administrator (AFORE, for its Spanish acronym).

Reminders through an accessible and direct method, such as SMS messages, can minimize the role of psychological biases, especially those that act against retirement savings. However, there is still uncertainty about the persistence of the effects of reminders to help increase long-term savings.

With the dual goal of motivating AFORE account holders who were not saving (inactive) to start saving, and those who were saving (active) to save more, an SMS reminder strategy was proposed to encourage savings. To measure the impact of the campaigns, administrative data on savings at the individual level was used. Indicators were the probability of making a deposit, the number of transactions, and the amount saved.

IMPACT

No evidence was found that SMS messages motivated voluntary savings of Mexican AFORE account holders. This was the case in both the sample of low-income workers and the sample of middle-income workers.

TITLE

SMS reminders to promote voluntary savings in Mexico.

MESSAGE

A national SMS reminder campaign, applying behavioral economics strategies, did not increase voluntary retirement savings for low and middle-income workers in Mexico.

TOPIC OF STUDY

Long-term pension savings.

SUB-TOPIC

Reminders.

YEAR

2017-2019.

AUTHORS

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AUTHOR OF THE SUMMARY

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OBJECTIVE

Encourage savings through SMS messaging with the following goals: 1) Mexican Retirement Savings System affiliates who were not voluntarily saving begin to save and 2) Affiliates who were already saving save more.

TOOL

Simple reminders, messages to counter behavioral barriers to long-term savings, and suggested goals.

EXECUTING AGENCY

Innovations for Poverty Action (nonprofit organization), *Comisión Nacional del Sistema de Ahorro para el Retiro* (CON SAR, state agency)..

TARGET POPULATION

Adults affiliated with the Mexican pension system that began in 1997, colloquially known as the "AFORE Cohort".

MECHANISM

SMS.

SAMPLE SIZE

394,480 low-income adults from the "AFORE Cohort" (197,251 in the treatment group and 197,229 in the control group), and 30,000 middle-income adults from the "AFORE Cohort" (15,000 in the treatment group and 15,000 in the control group).

EVALUATION DESIGN

Nimble Randomized Controlled Trial (Nimble RCT).

FINANCING

IDB Lab and MetLife Foundation.

COST

SMS: 179,000 USD.



CHALLENGE

In Mexico, as in many other Latin American and Caribbean countries, workers have many barriers when it comes to saving for retirement. Despite the fact that in Mexico there are multiple alternatives to contribute to the pension system directly and voluntarily, without the intermediation of an employer, the vast majority of workers do not save for a pension, and only 6.8% of individual accounts in the Retirement Savings System (SAR, for its Spanish acronym) have voluntary savings.

Among the causes of this low rate, lack of knowledge and information about SAR, and behavioral biases, stand out. Since 63% of workers are informal wage earners or self-employed, they have no automatic savings mechanism, so they must take proactive measures to prepare for retirement. This exposes them to certain barriers to saving documented by behavioral economics, such as inertia, in which any deviation from the current state is perceived as a loss; procrastination, thinking

that “I’ll save tomorrow;” and over-optimism, considering that “I’m sure I can continue working when I’m old,” among other biases.

There is evidence that reminders via SMS or email can minimize the role of psychological biases, especially limited attention. In particular, there is evidence that reminders can help savers stay focused on saving for retirement. However, there is still no certainty about the persistence over a long period of time of the effects of reminders to help increase long-term savings.

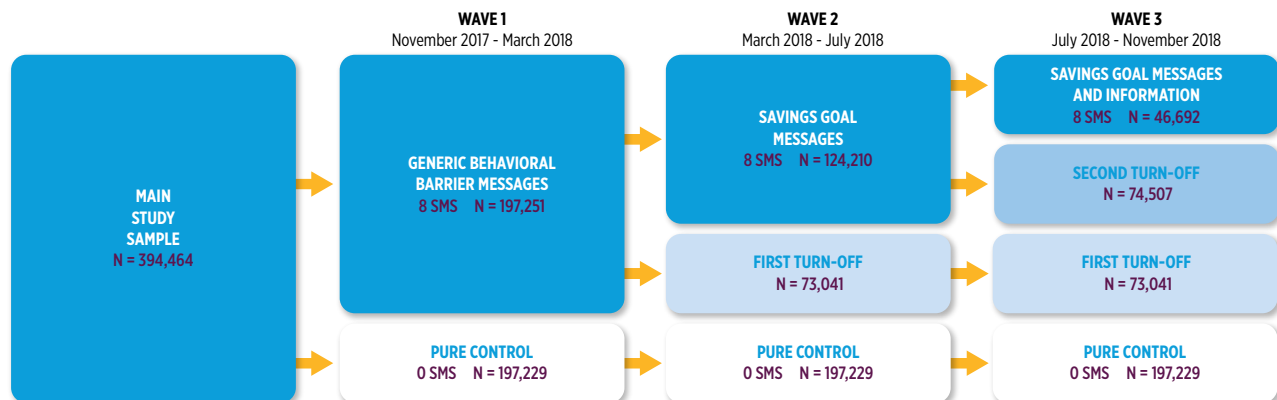
This intervention, carried out with the support of Innovations for Poverty Action (IPA) and the *Comisión Nacional del Sistema de Ahorro para el Retiro* (CONSAR, the Mexican pension regulator), analyzed the potential of SMS message reminders to overcome these behavioral barriers and motivate millions of Mexicans to save for retirement.

INTERVENTION DESIGN

Approximately 400,000 low-income account holders of 8 Mexican Retirement Fund Administrators (AFOREs, for their Spanish acronym), who registered their mobile phone number with the AFORE as of March 2015, were assigned to receive one SMS message every two weeks for 4, 8 or 12 months, on a date that coincided with each bi-monthly pay period. As an Agile Randomized Controlled Trial, predetermined dates

were established in which a partial evaluation of results were to be carried out to adjust between stages. In total, 197,229 account holders were assigned to the control group, 197,251 were assigned to receive SMS messages for 4 months (November 2017-March 2018), 124,210 for 8 months (November 2017-July 2018), and 49,692 for 12 months (November 2017-November 2018).

FIGURE 1. PILOT IMPLEMENTATION SUMMARY





During the first wave, a standard reminder was tested against messages that sought to make retirement palpable, communicate that their peers were already saving for retirement, and reduce the feeling of loss that saving might induce. Differences in addressing one, or multiple, psychological barriers were also evaluated.

Upon finding no significant differences between messages that addressed a barrier or multiple barriers and simple reminders, in the second wave, messages with low, medium, and high suggested savings targets were introduced, which were compared to simple reminders.

Upon finding no significant differences between messages with suggested savings goals and simple reminders in the second wave, messages with savings goals and links to more

information on voluntary retirement savings in Mexico were introduced in the third wave.

Likewise, with preliminary results that suggested the ineffectiveness of SMS messages to promote voluntary savings for retirement in low-income Mexican populations, and considering that the account holders in the initially selected sample were mostly inactive savers, a parallel experiment was carried out with a group of 30,000 account holders from the same 8 AFOREs who met the following criteria: middle income, made a voluntary savings contribution in 2018, and registered their mobile phone number with the AFORE as of March 2015. The same messaging strategy as the third wave was used: messages with savings goals and links to more information on voluntary retirement savings in Mexico.

IMPACT

Statistical analyses of the administrative data provided by CONSAR showed that the SMS messages had no impact on increasing account holders' average savings. Furthermore:

- **Different types of messages had no impact.** Differentiated SMS messaging strategies had no impact on the voluntary savings of low and middle-income account holders.
- **Different periods of exposure to the messages had no impact.** Receiving SMS messages for 4, 8, or 12 months did not impact the voluntary savings of low-income account holders.

- **Different savings goals had no impact.** SMS messages with low, medium, or high goals did not have an impact on the voluntary savings of both low and middle-income account holders.

The behavior of all groups in the experiment was statistically identical throughout the study.

LESSONS FOR PUBLIC POLICY

This study shows that, in the case of Mexico, SMS messages were ineffective in increasing the voluntary savings of low and middle-income workers. This result is, to some extent, surprising. First, because an identical pilot designed and executed in parallel in Colombia had positive results with savings increases of up to 14% compared to the control group (for more information see <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=EZSHARE-489183581-102>). Second, because Mexico, and specifically CONSAR, has been one of the most active promoters of voluntary savings in Latin America. CONSAR has developed an extensive network of more than 15,000 savings points, digitized the relationship between account holders and the system through a mobile application, and carried out massive campaigns to promote voluntary savings.

The divergent results of two pilots, identical at first glance, suggest that the context in which the messaging strategy is implemented is a determining factor. A deeper analysis reveals that there were significant differences in the sample, quality of the contact data and the characteristics of the savings programs. In Mexico, the participants in the pilot were younger; since the AFORE system was introduced in 1997, the sample was restricted to individuals 45 years old or younger. In Colombia, the upper limit was 69 years old, which led to an older average study population. The quality of the contact data was better in Colombia, so we can assume that a higher percentage of the sample received the reminders. Also, since the savings program promoted in Colombia, *Beneficios Económicos Periódicos* (BEPS, for its Spanish acronym), is



more recent than the Mexican SAR, more people had more recent affiliations. Finally, the BEPS savings scheme provides additional benefits such as life insurance and funeral expenses,

as well as prizes and lotteries, which increase the incentive to save for retirement.

TABLE 1. COMPARING STRUCTURAL DIFFERENCES BETWEEN SMS MESSAGING PILOTS IN MEXICO AND COLOMBIA

	COLOMBIA (Beneficios Económicos Periódicos BEPS)	MEXICO (Sistema de Ahorro para el Retiro SAR)
Account holder age	<ul style="list-style-type: none"> + Average age was 47 years old. • Average age of women was 46 years old. • Average age of men was 50 years old. • Maximum age of 69 years old at the beginning of the study, which was the limit for BEPS eligibility. 	<ul style="list-style-type: none"> - Average age was 31 years old. • Average age of women was 32 years old. • Average age of men was 31 years old. • Maximum age of 45 years old at the beginning of the main study, which was the limit for the complete transition to SAR.
Female participation	+ 71% of the total sample were women.	- 44% of the total sample were women.
Time affiliated	- The BEPS program began in 2014. It is a newer program with people affiliated for a relatively short time.	+ SAR began in 1997. Some people have been affiliated for more than 20 years.
Contact information quality	+ Results of an exercise to validate account holders' mobile phone numbers found all numbers to be active.	- Results of an exercise to validate account holders' mobile phone numbers found approximately 20% of the numbers to be inactive.
Other savings benefits	+ Tangible benefits: Life insurance, funeral expenses, prizes, and lotteries.	- Intangible tax benefits.

The message for policy makers is to keep experimenting and learning about what can be effective in any given environment. Initiatives that have been successful in one context are not necessarily going to be effective in all cases and places. We know that closer communication with the affiliate (through SMS messages or other methods) is a useful tool to connect

workers with their pension systems. There is also evidence that it can be a cost-effective tool to increase voluntary retirement savings. Further experimentation on a small scale can be done that will give relatively quick results to adjust and further explore which initiatives are cost effective and should be scaled for an entire system.

