

# Retirement Savings Laboratory



## Financial and pension education in Chile Impact evaluation of the *Ahorra desde Ahora* (Save Starting Now) workshop

### WHAT IS IT

Defined contribution pension systems, such as the Chilean one, transfer many of the risks associated with the pension system to the worker. In the Chilean context, a worker's pension is primarily the result of his contributions to the pension system and the decisions he makes throughout his working life. Some examples of these decisions are choosing a Pension Fund Administrator (AFP), and deciding whether or not to save voluntarily for retirement. As such, for their proper functioning, these systems require that the population has a deep understanding of financial and social security concepts. However, the level of financial and social security education in Chile is low. According to the 2015 Global Financial Literacy Survey of Standard & Poor's Rating Services, in Chile, less than half of adults understand basic financial concepts such as interest, inflation and risk diversification.

In response to this situation, the main pension system actors (AFPs, Pension Superintendence) have developed different initiatives to increase the level of pension

knowledge. One of these initiatives is the *Ahorra desde Ahora* (Save Starting Now) workshop, developed by the Association of AFPs.

This study measures the impact that the workshop had among 7,714 students in technical high schools, on their perception, awareness and confidence in the pension system and the AFPs.



### IMPACT

1. The workshop had a positive and significant impact on students' financial and pension knowledge. After the workshop, the students in the treatment group answered, on average, 6.1 questions correctly out of a total of 13 questions, while the control group only answered 4.6 questions correctly. In other words, after the workshop, the students correctly answered, on average, 1.5 more questions, which is equivalent to 0.45 standard deviations.
2. The workshop also significantly increased students' confidence in the pension system and AFPs.
3. The course decreased students' perception that AFPs and the State are responsible for low pensions, and increased the perception that individuals are responsible, due to their low savings rates.

#### TITLE

Financial and pension education in Chile. Impact evaluation of the *Ahorra desde Ahora* (Save Starting Now) workshop.

#### TAGLINE

Financial education increases financial and pension knowledge of students, and, therefore, reduces biases detected by behavioral economics.

#### FIELD OF WORK

Financial and pension education.

#### SUBTOPICS

Retirement, saving, and financial education.

#### YEAR

2018

#### AUTHORS

Mariano Bosch, Gustavo Caballero, Fabian Cofre, Stephanie Gonzalez, Lukas Keller, and Maria Teresa Silva-Porto.

#### SUMMARY AUTHOR

Stephanie Gonzalez

#### COST

US \$99,750

Workshop cost: US \$77,750  
Video cost: US \$22,000

#### FUNDING SOURCE

IDB Lab and MetLife Foundation.

#### AIM

To increase students' financial and pension knowledge, and evaluate how this information influences students' perception, awareness, and confidence regarding the pension system and Pension Fund Administrators (AFPs).

#### BEHAVIORAL TOOLS

Financial and social security education workshop *Ahorra desde Ahora*.

#### EXECUTING AGENCY

Inter-American Development Bank (IDB), Association of Pension Fund Administrators (AAFPs) and *Puntaje Nacional* (Chilean education platform).

#### TARGET POPULATION

Students in their last year of secondary education at technical high schools.

#### DELIVERY MECHANISM

Teaching the financial and pension education workshop *Ahorra desde Ahora*, which includes videos and help from moderators.

#### SAMPLE SIZE

7,714 students from 201 high schools.

#### EVALUATION DESIGN

Randomized Controlled Trial (RCT).



## CHALLENGE

In Chile, there is a generalized lack of financial education and knowledge of basic aspects of the pension system. According to data from the Social Protection Survey (EPS, 2015), 82% of Chilean workers affiliated to the pension system do not know how their pension will be calculated, and almost half of those who claim to know give an incorrect description. Additionally, 74% of the population does not know what percentage of their taxable income is contributed to the pension system (i.e. a worker's monthly contribution) and 87% does not know the Pension Fund Administrators' (AFPs) commission for managing this money. Furthermore, Chileans also show poor

financial planning practices: less than 10% of the EPS sample actively plans financially (Fuentes et al., 2017).

Lack of financial and pension knowledge is a major challenge considering the context of an individual capitalization system, such as the Chilean one, in which the final pension a worker receives is the result of a set of decisions that must be made throughout one's working life. Examples of these important decisions are how much to save, in which AFP to register, and in which fund to invest savings. Therefore, early investment in financial and pension education is key to ensuring that pensions are consistent with workers' expectations.

## INTERVENTION DESIGN

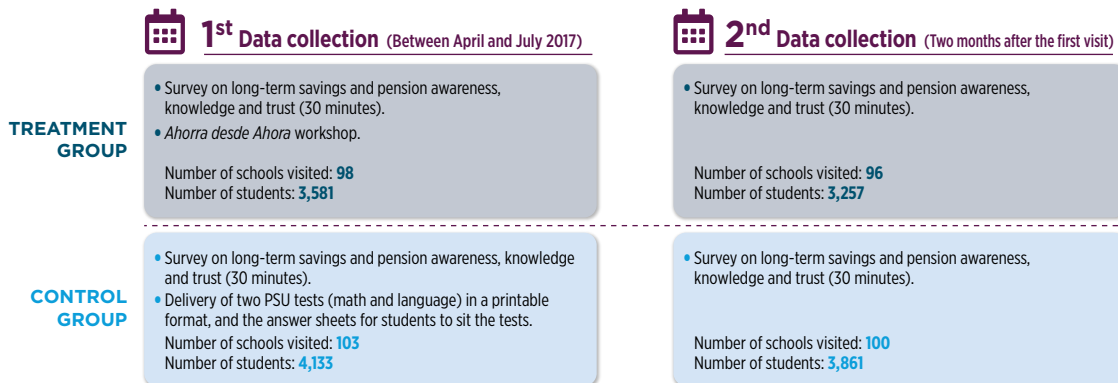
The evaluation consisted of measuring the impact of the *Ahorra desde Ahora* (Save Starting Now) workshop on senior year technical high school students' knowledge of some financial and pension concepts, as well as their confidence levels and perceptions of the Chilean pension system.

*Ahorra desde Ahora* is part of an initiative of the Association of AFPs in Chile, which seeks to improve the financial and pension knowledge of young people. The workshop combines one hour of online teaching materials with half an hour in which a moderator elaborates on the concepts presented, following best practices to ensure that financial education interventions are successful. These best practices include: 1) that the concepts are easy to understand and apply, 2) that they are personalized and appropriate to the needs and situations of each person, 3) that they are accessible and entertaining, and 4) that they are focused on groups at a stage more conducive to learning, that is, children and teenagers.

For the intervention's evaluation, 98 schools were randomly assigned to the treatment group, which received the *Ahorra desde Ahora* workshop, and 103 to the control group, which received materials to conduct two sessions of the University Selection Test (PSU, for its Spanish acronym). Data collection was carried out at two different moments. The first was executed between April and July 2017 with the aim of establishing a baseline. On this visit, researchers applied a survey on long-term savings and pension awareness, knowledge and trust, followed by the workshop, which only the students in the treatment group attended. The second visit was a follow-up, and took place eight weeks later, from June to September 2017. In this visit, the same survey was given again.

In total, 7,714 students were evaluated in the first round, while 7,118 students participated in the second round. In total, 5,940 students participated in both rounds.

FIGURE 1. PHASES OF THE EXPERIMENTAL DESIGN



Source: Authors' elaboration



