

# Retirement Savings Laboratory



## Promoting Retirement Savings among clients of *BancoEstado Personas*

COUNTRY



CHILE

### WHAT IS IT?

In Chile, the Pension Fund Administrators (AFP, for their Spanish acronym) and other authorized institutions such as insurance companies, securities brokers and banks can offer voluntary pension savings plans. This presents an opportunity to promote voluntary pension savings among low-income workers through financial intermediaries with whom these workers have greater interaction and trust, through the channels that best meet their needs. This is the case of *BancoEstado* in Chile, which serves most of the population, with an emphasis on middle- and low-income consumers. As the focus of global financial inclusion has for decades been to facilitate access to credit and loans for lower income households, many workers in this segment have a consumer loan through *BancoEstado*. In order to promote retirement savings, this intervention seeks to take advantage of both factors: the high penetration in the middle- and low-income segments of *BancoEstado Personas* and the greater liquidity these clients have upon finishing a loan repayment, which contributes to decreasing the feeling of loss that occurs when saving.

### IMPACT

There is not a statistically significant (5%) difference between treatment and control groups in any of the subgroups considered.

However, the campaign does seem to reduce the outstanding mortgage debt of those individuals whom we remind about the increased liquidity to come. This could indicate that individuals decided to save in the long term, but using a financial vehicle other than the one proposed.

### TITLE

Promoting Retirement Savings among clients of *BancoEstado Personas*.

### TAGLINE

In theory, the end of a loan repayment period is an ideal time to start saving for retirement. As a person's liquidity temporarily increases, they have more funds available to contribute to their pension and are also less likely to experience the sense of loss commonly felt through saving. Through SMS, e-mail and browser pop-ups, we invited customers of *BancoEstado* about to complete a loan repayment to enroll in a voluntary retirement savings plan. Signing up for the voluntary retirement savings plan did not increase as a result of our intervention. However, individuals who received the invitations reduced their mortgage debt, suggesting that clients decided to save in the long term, but using a financial vehicle other than the one proposed.

### FIELD OF WORK

Pensions and long-term savings.

### SUBTOPICS

Retirement savings.

### YEAR

2018

### AUTHORS

Mariano Bosch, Gustavo Caballero, Fabian Cofre, Eduardo Fajnzylber, Lukas Keller, Andrea Repetto y Maria Teresa Silva-Porto.

### SUMMARY AUTHOR

Fabian Cofre.

### AIM

The aim is to attract clients of *BancoEstado Personas* about to complete payment of a loan or who recently did so, to participate in a voluntary retirement savings plan, taking advantage of their increased liquidity and reduced loss sensation.

### BEHAVIORAL TOOLS

Invitations to save in voluntary retirement savings products, taking advantage of a "savable moment".

### EXECUTING AGENCY

*BancoEstado Personas*.

### TARGET POPULATION

*BancoEstado Personas* clients.

### DELIVERY MECHANISM

Text messages, emails and browser pop-ups on *BancoEstado*'s website.

### SAMPLE SIZE

20,724 individuals.

### EVALUATION DESIGN

Randomized Controlled Trial (RCT).

### FUNDING SOURCE

IDB Lab and MetLife Foundation.

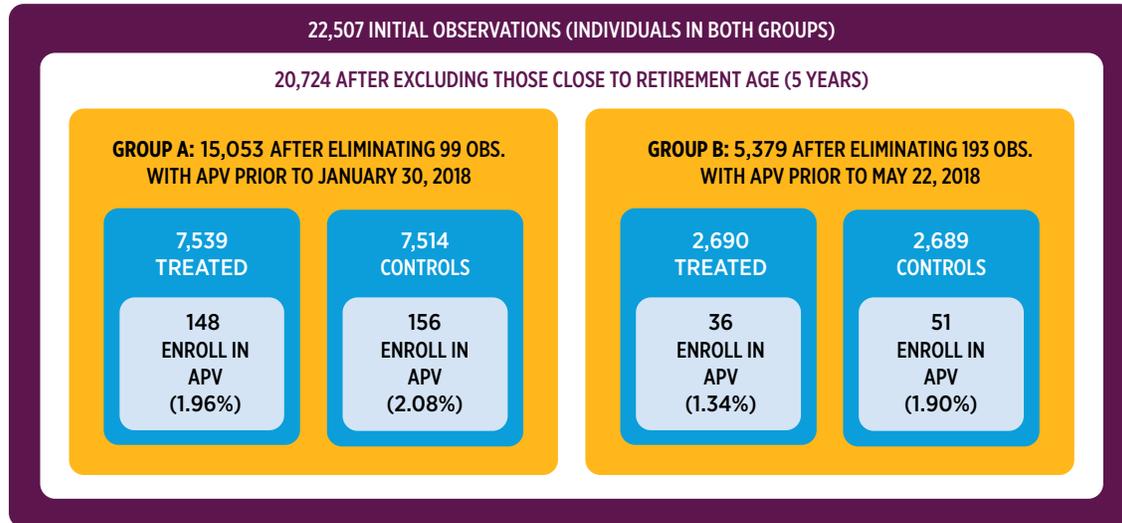
### COST

Approximately 20 Chilean pesos (CLP) per SMS sent. The total cost of the intervention was less than CLP \$470,000, or approximately US \$700.





FIGURE 1  
**INDIVIDUALS BY GROUP**  
 (APV observed until November 2018)



## IMPACT

Message campaigns had no effect on APV enrollment. No statistically significant (5%) difference was found between the control and treatment groups or in any of the sub-groups considered. This could be explained by both groups having been exposed to other types of communication or advertising interventions. In this context, it should be noted that *BancoEstado* increased its sales of APV products by 130% between 2017 and 2018, so its standard strategy of promoting savings products through conventional service desks could have been more effective in selling APV, which could have blurred any messaging effect.

However, we find evidence consistent with our hypothesis that completing the repayment of a loan is a good moment to offer savings products. Specifically, we show that the probability of enrolling in an APV plan is higher for those clients whose loan is closer to expiring. That is, receiving a message just before the loan ends (when liquidity increases) is more effective than receiving one month earlier.

Finally, we found an unexpected effect. Although it was not possible to motivate customers to sign up for APV, those who received messages were more likely to save in other

long-term vehicles. In particular, the intervention had an impact in reducing both the amount and presence of customers' outstanding mortgage debt (group B). It is possible that the intervention reminded message recipients of their increased liquidity, and they took the opportunity to make a larger mortgage payment or to contract fewer loans, or for smaller amounts. Specifically, the treated individuals show a decrease of CLP \$238,000 (CLP \$581,000 among the clients closest to loan repayment) in mortgage debt (US \$300 or US \$734, respectively). Likewise, a decrease of 0.7 percentage points (1.8 percentage points among clients closest to loan repayment) is observed in the probability of having a mortgage debt. This comes, in part, from a lower probability of taking out new loans among those who did not initially have this type of debt (0.8 percentage points lower likelihood to contract among nearby customers). There is also a lower probability of remaining in debt among those who had this type of liability at the beginning of the intervention (11.2 percentage points less likely to have debt at the end of the period between "close" treated individuals and controls).



## POLICY LESSONS

The results of the intervention suggest that there was no positive effect on the probability of enrolling in an APV plan. In fact, in some cases, the effect seems to be negative, although not statistically significant. Moreover, the probability of enrolling in an APV plan (either as a result of our intervention or the general campaign of *BancoEstado*) is higher among individuals whose loans expire close to the time of the intervention. This is consistent with the hypothesis that an anticipated spike in liquidity after finishing paying a loan is a positive factor in savings decisions.

We believe that, by calling the client's attention to the availability of recent or imminent liquidity, the intervention may have led to treated individuals reducing their mortgage debt levels, partially in detriment to an enrollment in an APV plan. It is important to mention that the intervention was carried out in the context of a broader campaign by *BancoEstado* to promote their APV products through their general commercial channels. This alternative route, while costlier, but with more direct contact with the clients, could have overshadowed any possible effect of our informative intervention.

It is key, among other actions, to continue to promote voluntary pension savings, so that workers can contribute for a period or amount, and with an administrative institution, of their choice. These and other measures would have direct implications on the level or adequacy of pensions, allowing benefits to increase in a sustainable manner. One of the most important elements is to maintain informational and educational campaigns over time, instead of promoting retirement savings through isolated or time-limited interventions. A cultural change is required regarding this issue, which can only be achieved through long-term efforts. Another essential element to consider is the life stage of a recipient who receives this information, with younger people being more receptive to messages promoting pension savings than older individuals. A final fundamental element is the increased involvement of APV administrators, employers and the state in delivering information about pension savings as well as about relevant tax incentives, in an effort to improve people's long-term savings decision-making.

