Subjective Pension Knowledge Increases Retirement Savings
Inka Eberhardt\textsuperscript{a}, Rob Bauer\textsuperscript{a}, Adam Eric Greenberg\textsuperscript{b}, Paul Smeets\textsuperscript{a}
\textsuperscript{a}Maastricht University \textsuperscript{b}University of California, Los Angeles

Motivation

• 4 out of 5 of US working age people do not have retirement savings that at least equals their annual income\textsuperscript{1}
• In the Netherlands, 1 out of 3 of the general population will be unable to pay their subjective minimum expenditures during retirement\textsuperscript{2}
• Earlier research: Financial literacy improves savings decisions\textsuperscript{3}, but financial literacy only explains 0.1\% of the variation in financial behavior according to a recent meta-study\textsuperscript{4}

Research Question
What drives private retirement savings decisions: actual knowledge or confidence in knowledge?

Data and Methodology
789 Dutch pension plan participants

• Actual pension knowledge: quiz on pension fund’s website
• Subjective pension knowledge: measured before the pension quiz
• Dependent variable: having saved privately in the last 3 months (yes or no)

Result
Private retirement savings is predicted by subjective pension knowledge, not by actual pension knowledge.

Discussion
• Private retirement savings is predicted by subjective pension knowledge, not by actual pension knowledge
• Increasing objective knowledge might decrease subjective knowledge\textsuperscript{5}
• Seminars and trainings should not only focus on increasing actual knowledge, but also subjective knowledge

References
\textsuperscript{2}de Bresser, J. & Knoef, M. 2015. Labour Economics, 34, 100-117.
\textsuperscript{5}Hadar, L., Sood, S., Fox, C.R. 2013. Journal of Marketing Research, 50(3), 303-316.

Example Literacy Question
If you retire and have worked for 40 years, you will get approximately 70\% of your final salary. True or False?

Subjective Knowledge Question
Do you think that you will be in the best or the worst half of all participants concerning your pension knowledge?

Comments: i.eberhardt@maastrichtuniversity.nl