



Comments on

**Longevity Perceptions and Saving Decisions during the Covid-19 Outbreak:
An Experimental Investigation**

Arie Kapteyn

Synopsis



- Sample of about 5000 subjects from a convenience Internet panel are asked to advise hypothetical vignette persons on either
 - how to withdraw retirement savings (man/woman, 60, no children), or
 - whether to increase retirement savings (man/woman, 40, no children).
 - Several questions about perceptions of the pandemic effects with results similar to other studies
 - Probability of infection
 - Probability of dying when affected
 - Probability of running out of money

Main findings



- Advice largely reflects own circumstances
 - More likely to run out of money: Advise less saving
 - Higher prob of dying of covid: Advise less annuitization
 - Present biased: Save and annuitize less
 - Higher finlit: Save and annuitize more
- Consistent with other papers
(Linnaianmaa et al., Foerster et al.)

Interpretation?



- “We also find that those who believe they are more likely to run out of money due to COVID-19 are substantially less likely to recommend saving more and annuitizing” (p.6)
- “Thus the advice given by the more vulnerable subjects indicates their own actions during the pandemic, and the negative consequences of these actions will be revealed in the future.” (p.6)
- A slightly different take on this is, that both own behavior and the advice represent unobserved personality traits and preferences.
- The qualification has to be that “own actions” are hardly the cause of the severe negative consequences of the pandemic for most

Implications?



- “Yet such a policy [of allowing withdrawal of lump sums from savings accounts], along with peoples’ pandemic-induced loss of interest in saving and annuitization, is likely to undermine retirement security in the future, and those who are currently most financially vulnerable will probably be harmed the most” (p.7)
- What are alternatives?
 - Don’t allow withdrawals
 - This may increase hardship and/or lead to the use of predatory loans
 - Provide more income support to those who have been hit hardest by the economic consequences of the pandemic
 - Analysis of UAS covid tracking data shows that food insecurity of unemployed receiving benefits is essentially the same as for those who have kept their job.