

DISCUSSION OF:

*Testing the Effectiveness of Consumer Financial Disclosure:
Experimental Evidence from Savings Accounts*

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Discussion by:

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NBER SI – Risks of Financial Institutions

Summary: Savings Account Setting

FCA-sponsored experiment with 5 financial institution volunteers in savings product where rate is too low or about to decline

- **Advantage:** Savings account = Simple finance product
- **Disadvantage 1:** Intervention doesn't occur when consumers make a decision.
- **Disadvantage 2:** Comparability across test
- **Disadvantages cast as advantage:** Setting is really testing what gets attention

Encourage authors to avoid thinking of the paper as a typical “treatment evaluation” setup:

- “Control disclosure” results are most interesting
- And, in the process you pre-empt the issue that the heterogeneities across settings of treatments make a comparison impossibly

Summary: Agenda & Framing

Authors' agenda: “examine the importance of

- (i) lowering search costs by simplifying comparison across products,
- (ii) lowering switching costs through process improvements and
- (iii) increasing attention to the switching decision itself to promote active choice.”

Comments on agenda/framing:

- Design in my opinion does not allow for test on (i)
- Tests on (ii) are subject to different setting interpretations making it hard to say one process is better than another
 - Ineffective except in surprising context of tear-off form.
- (iii) is incredibly important, but cast differently not about the treatments but about heterogeneities in setting attention to disclosure (control group)

Summary: Results

- Attention to disclosure
 - Attention to non-engaged disclosure is low in the experiment.
 - This is true in the world, so any impact is very important
 - Disclosure only is effective (draws attention) when household **was expecting the negative shock of a rate increase on a recently-contracted product** (teaser).
- Treatments:
 - Comparisons and digital social media reinforcements were not effective
 - Some materiality: **tear-off form + envelope**
 - **But treatment effect differences were much less material than disclosure setting differences**

Main Comment: Framing Disclosure Tests

Paper reminded me of title: “Getting to the Top of Mind: How Reminders Increase Saving” by Karlan, McConnell, Mullainathan, Zinman (2015)

- Different context but the [idea of getting attention to making an action](#) is important
 - In Bertrand and Morse: we got borrowers to pay attention to new information by printing it on an envelope containing cash. Action is not about debt decision at that moment, but savings behavior tomorrow
- What’s different in this paper from a lot of the literature is it is about **attention to unexpected disclosure (a mailing, for instance), not attention to details of disclosure**

Comment: I would write this paper not about treatments per se but about triggers to get households to engage in a decision by looking at a disclosure?

- i.e.: Structure tests across setting heterogeneities of controls group disclosure

Tests

Because the correct action is obvious, authors can reframe tests as:

1. Did the household pay attention to the control disclosure
2. Did the treatment interact with the disclosure setting

Disclosure Setting Heterogeneities

Across Financial Institutions

- Were households expecting a rate change?
- How new is the account (salience of “rate change is coming”)?
- Were the customers internal such that switching to a new account within bank of checking account made sense?
- What is potential monetary gain from switching?
- What is the mode of control disclosure?
- What is the treatment implementation?

Let's interpret the results

Treatment 1:

- Rate change not expected
- Age of account: long (5+ years)
- **25%: relationship customers**
- Potential gain £70
- **Mode: Annual statement**
- **Treat: Box on front page**

Treatment 2:

- Rate change expected
- Age of account: long (5+ years)
- **80%: relationship customers**
- Potential gain £83
- **Mode: Rate change mandated letter**
- **Treat: Reserve page box**

- No one (2.6%) paid attention
- Treatment effect 1.9%, all internal

- A bit more (8%) paid attention
- No treatment effect

Why's: 1) Attention: Very little

Possible causes: **low £ gain** & **mode is not at point of decision**

- Survey: Only 12% to 22% recalled letters being about rates

Slightly more attention in T2 due to **rate change expectations** or **relationship**

1) Treatments ineffective

Let's interpret the results

Treatment 1:

- Rate change not expected
- Age of account: long (5+ years)
- **25%: relationship customers**
- Potential gain £70
- Mode: Annual statement
- Treat: Box on front page



Treatment 3:

- Rate change not expected
- Age of account: long (5+ years)
- **6%: relationship customers**
- Potential gain £76
- Mode: Letter to consider better product
- Treat: Tear-off switching form + envelope

- No one (2.6%) paid attention
- Treatment effect 1.9%, all internal

- No one (3%) paid attention
- Treatment effect larger: 9%

Why's:

1) Limited attention to all of it

Possible causes: **low £ gain** & **mode is not at point of decision**

2) Larger treatment effect must be due to **tear-off + envelope**

Let's interpret the results

Treatment 2:

- Rate change expected
- Age of account: long: 5+ years
- 80%: relationship customers
- Potential gain £83
- Mode: Rate change mandated letter
- Treat: Reverse page box

Treatment 4:

- Rate change expected
- Age of account SHORT: 1 year
- 77%: relationship customers
- Potential gain £231
- Mode: Rate change mandated letter
- Treat: Email

- A bit (8%) paid attention
- No treatment effect

- Much more (40%) paid attention
- Moderate 4.7% treatment effect

Why's: 1) Attention T4 >> T2: **potential gain** or **age of account** with **rate change**

- Reminiscent of debt experience papers :
 - Agrawal, Chomsisengphet, Lui, Souleles / Lusardi & Tufano

2) Treatment: email is moderately better, but can't necessarily conclude that email is more effective because of Attention difference

Let's interpret the results

Treatment 4:

- Rate change expected
- Age of account: SHORT (1 year)
- 77%: relationship customers
- Potential gain £231
- Mode: Rate change mandated letter
- Treat: Email

Treatment 5:

- Rate change expected
- Age of account: long (5 years)
- 98%: relationship customers
- Potential gain £198
- Mode: Rate change mandated letter
- Treat: SMS

- Much more (40%) paid attention
- Moderate 4.7% treatment effect

- Less (6.2%) paid attention
- Trivial 1.7% treatment effect

- Why's:
- 1) Attention: T4 >> T5 Pins down: T4 setting success is not about **Potential gain**, but about **Rate change expected** with **SHORT memory account**.
 - Expecting having to act => engage in a decision!
 - 2) Treatment: Cannot conclude because of Attention result

Other Comments: Readability

- **Advantage:** Savings account = Simple finance product
 - *But... product simplicity does not make disclosure easy to read!*
- *Economic Letters* paper by Matt Burke and John Fry
 - Readability of disclosure on credit card, payday loan, and personal loan websites
 - Credit cards the worst, but all too hard.
 - Medical regulation forces readability. Finance should follow.

Comment: I would code up the readability of all the disclosures

- Especially the mandate rate increase disclosures and annual statement
- As well as treatment.
- This gives another interesting heterogeneity

Other Comments: Sophistication

Financial sophistication & Engagement

- What we know: Financial literacy training is [only] moderately effective, yet sophistication matters for choices (Lusardi, Mitchell, Zinman, Schoar, Karlan, etc.)
- What we should know: What is the role of sophistication for the willingness to engage in decisions, **hugely under-studied**
 - Related to choice defaults literature (Thaler, Choi, Madrian, Laibson, Beshears), but different... **getting households to engage in attention to finances**

Comment: Can authors do anything to speak to sophistication heterogeneity.
Perhaps age? Differences across breadth of products by household?

- Future work: What kind of triggers work to engage households not comfortable with financial products

Other Comments: Volatility

Income Uncertainty

- All households should switch
- But do households with more income vulnerability pay more attention?

Comment: Can authors get historical balances on other accounts to speak to incidence of at-risk populations paying attention?

- We often assume at-risk means lower income (which it does)
- But given era of massive consumption commitments, is income vulnerability a setting of better decision-making?

Conclusion

- Setting: Great setting to study financial behavior because easy to see benefit!
- What I learned: People don't pay attention to disclosure not at a point of a decision
 - (Okay, I already knew that – I throw away most of my mail)
- What I really learned:
 - Importance of this lack of attention is likely to be large
 - It's hard to design salient disclosure
- What I was impressed by:
 - People's memory of expected change in rate makes a huge difference
 - Builds off the learning/experience literature
 - But how do we build in such processes?
 - Tear-off form + envelope works in our digital era – costly effort by bank?