

Title: **BORROWING TO SAVE?
UNINTENDED CONSEQUENCES OF AUTOMATIC ENROLLMENT**

Speaker: Brigitte Madrian, Harvard University

Importance: Why this matters

Automatic enrollment in IRA plans has led to a very substantial increase in the rate of acceptance of plans by new employees. These benefits can be offset, however, if the plan participants reduce saving elsewhere or increase their indebtedness.

Investigation: "Speaker analyzed XXX data to address the questions yyy, zzz, etc."

In 2010, the US Army created an opt-out plan for its civilian employees. Before and after confidential data was supplied to the researchers, including extensive employee demographic data (age, salary, gender, etc). This data was linked employee by employee to credit bureau data (also confidential.) The analysis compared a cohort of employees hired before and after the implementation of the new policy

Innovation: Are there new techniques of interest in the data or approach to the problem?

The demographic and credit data was used to divide the cohorts into five percentiles to analyze the effectiveness of the opt-out program compared to the previous opt-in program. For example, opt-out led to heavier use and higher paid benefits of the IRA plan, particularly by older and lower paid employees.

Insights: 1-2-3, what are the three most important things the speaker offered?

1. As shown by other studies, opt-out works, leading to much broader participation in IRA plans.
2. The benefits of increased retirement savings were not significantly offset by increased non-collateralized debt. There was no evidence of increased financial distress. There was a significant increase in auto and mortgage debt 2-4 years after the program was initiated. This was taken as an indication of increased financial stability and optimism; i.e. better retirement planning.

Audience rating: