Individual-level vs. Household-level Responses to Incentives in U.S. Retirement Savings Plans

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In the U.S., many incentive schemes promoting retirement savings, such as employer matching contributions, are provided at the individual level. Yet, the decision of whether and how much to contribute to a retirement savings plan may be affected by the incentives and saving decisions of other household members. In this project, we plan to assemble a novel, nationally-representative, employer-employee linked dataset to study how incentives provided to individuals in their workplaces affect household-level retirement preparedness and savings.

We will do so by linking newly-collected data on firm-level retirement plan features (currently under collection as part of SSA and NBER-RDRC project NB20-14), with individual-level tax filings accessed at the Office of Tax Analysis at the U.S. Department of the Treasury where one of the co-authors is based.

First, we plan to document the distribution of retirement savings plan features across households and, in particular, the extent to which couples are either positively or negatively assortatively matched based on the availability and generosity of their employers' retirement savings plan. These new descriptive statistics can serve as inputs for **Informing Long-Term Projections and Models** and for assessing household-level retirement preparedness.

Second, we will exploit differences in employer matching formulas across firms and changes in these formulas over time, to compare individual-level and household-level responses to saving incentives. For instance, if certain households make their saving decisions jointly, then the additional contributions in response to a new saving incentive (such as an employer match) may crowd out the savings of other household members. The extent to which retirement savings crowds out other forms of saving has extensively studied before (Gelber, 2011; Chetty et al., 2014; Beshears et al., 2020), however, the extent to which there is crowding out within a couple has not been.

Understanding the total household response to incentives (which is potentially smaller than the individual response) is critical for assessing the **Economic Security of SSA Beneficiaries** for future cohorts of retirees.

References

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