Benefiting from Our Biases: Applying the Save-More-Tomorrow(TM) Principles to Increase Savings among Thai Military Officers

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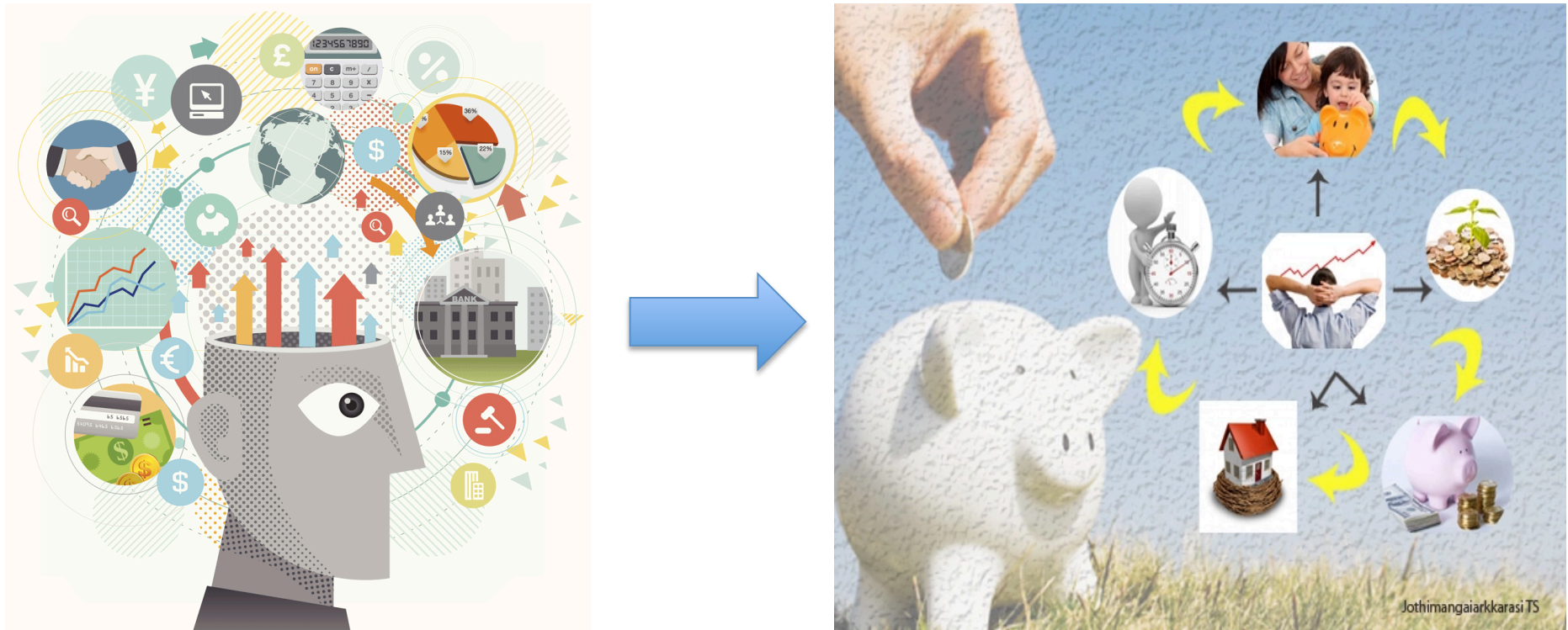Prepared for in-house seminar at School of Economics, Khon Kaen University

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The Main Purpose of the Study

To apply the principles from behavioral economics to design a program to help people to save more.
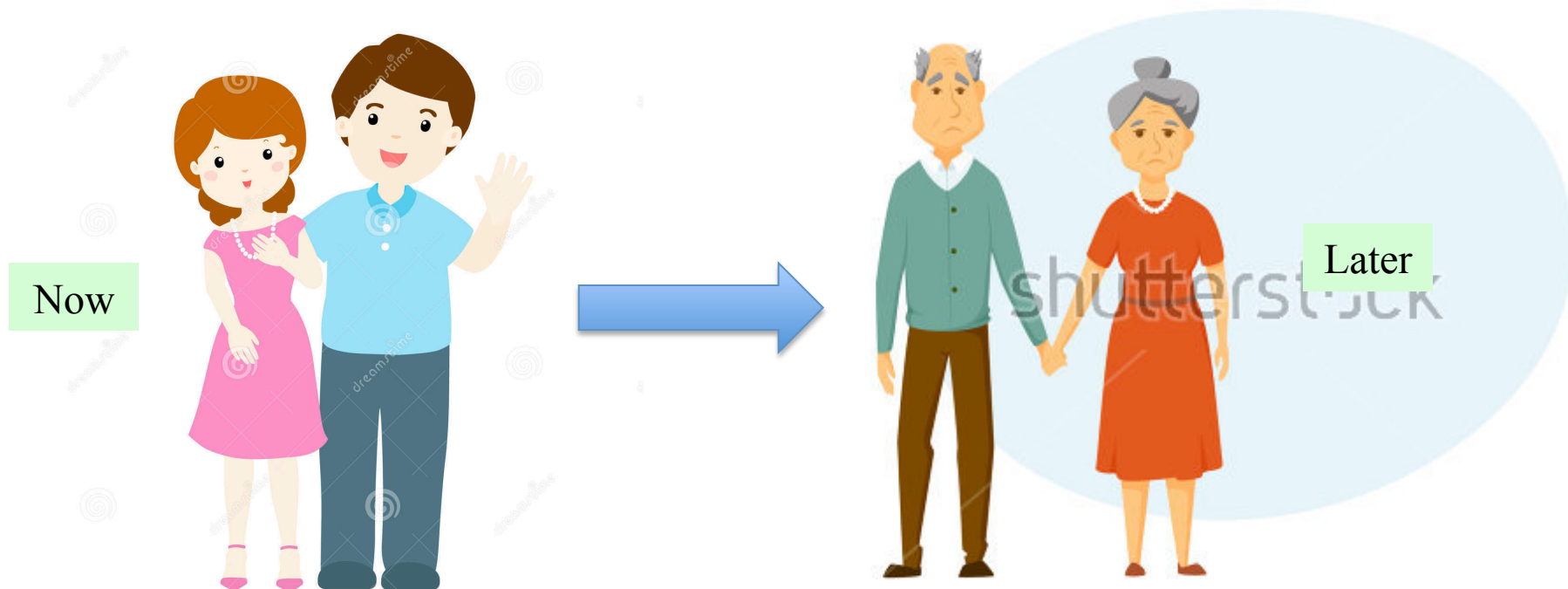
Saving in Eyes of ECONS

Information and knowledge are enough to help ECONS save.
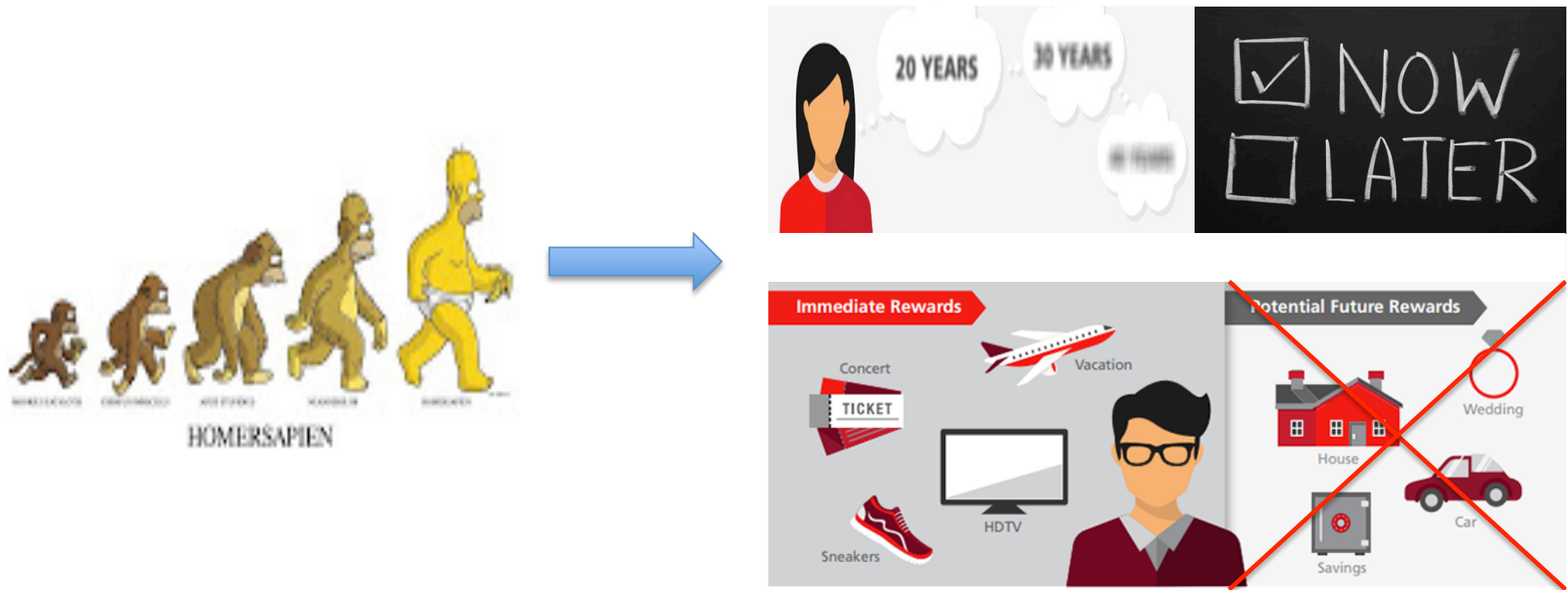
The Reality

83% of households do not save regularly.

About 26% of households actually have no saving at all.

(Soonthorndhada and Chindakum, 2014)
(Patmasiriwat and Hengpatana, 2014)

Now

Later

Saving in Eyes of HUMANS

Self-control problem, biased, and irrational are common things.
Information and knowledge would not be enough to help.

Pictures: www.jackson.com

The Main Purpose of the Study (Again)

To apply the principles from behavioral economics to design a program to help people to save more.
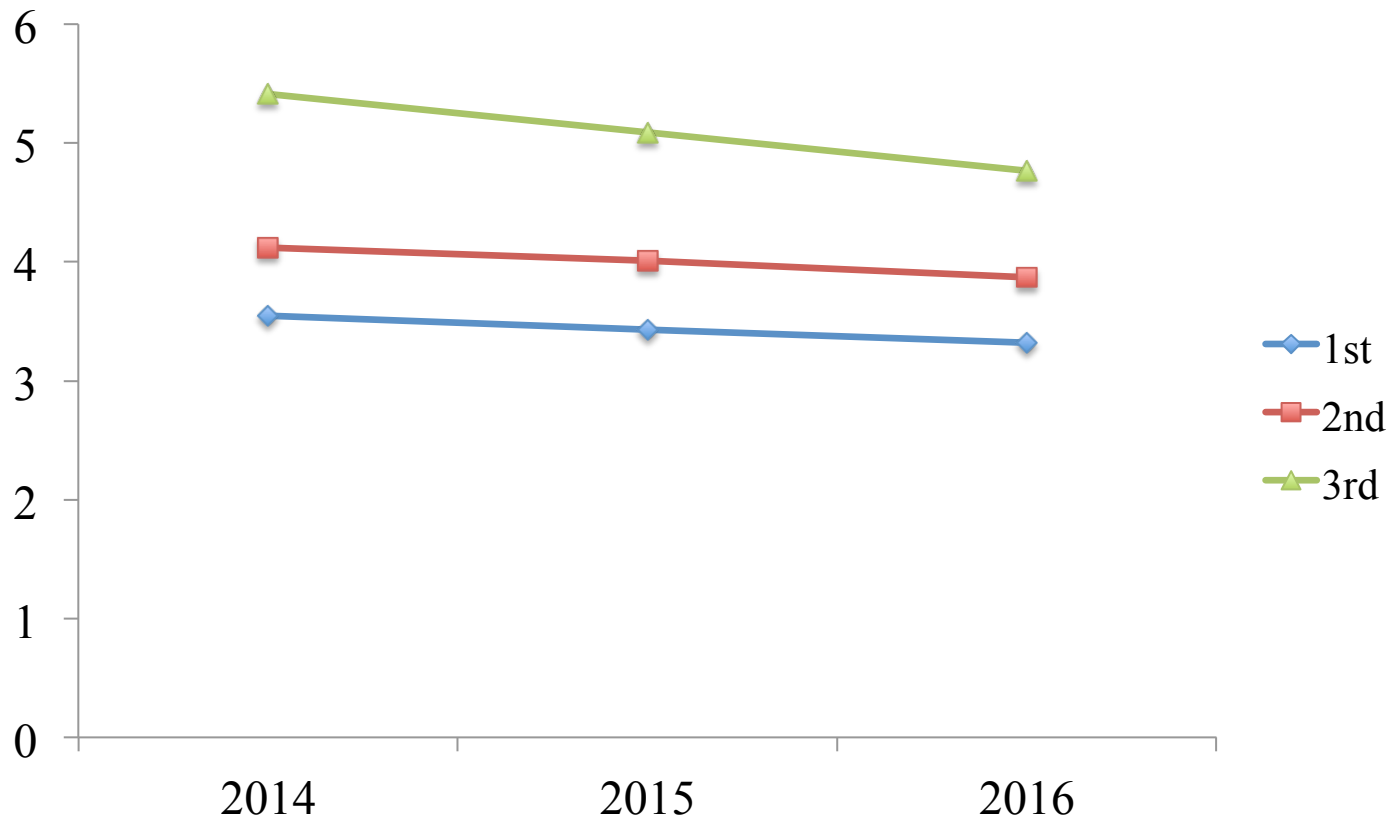
Background of the Subjects

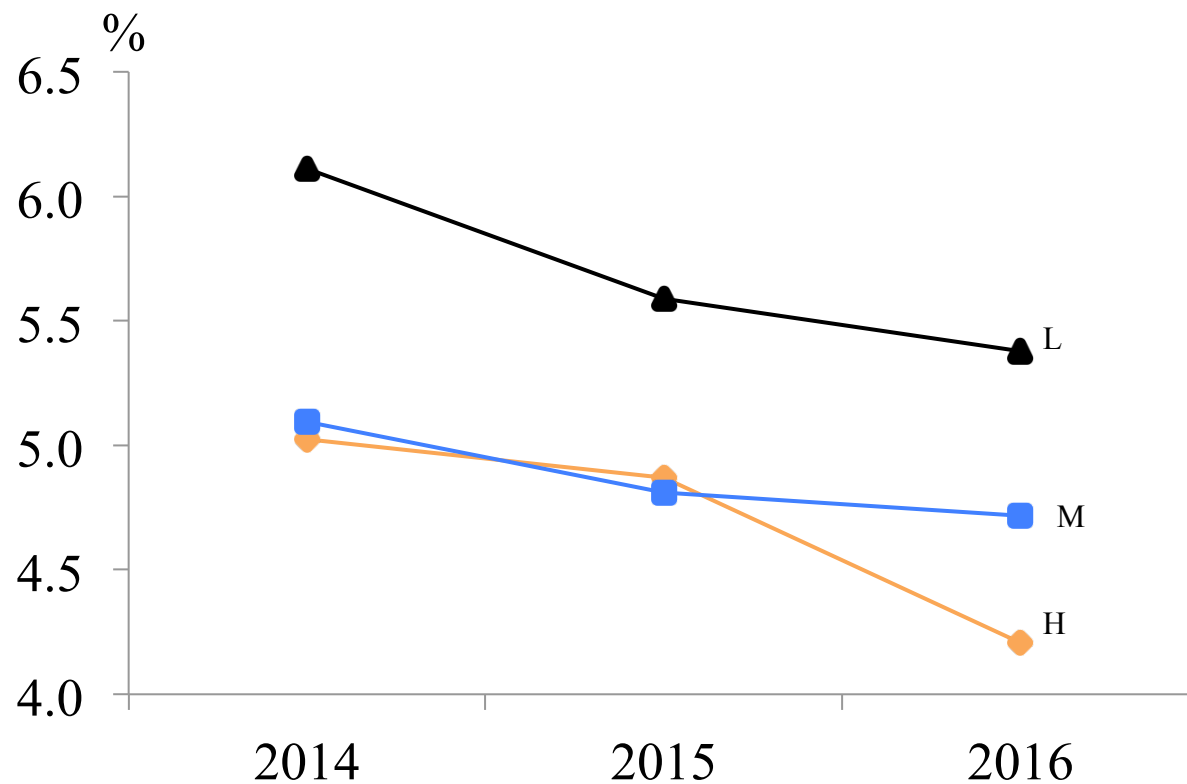Noncommissioned officers from the 8th infantry regiment.
- 1st and 2nd battalions as control groups.
- 3rd battalion as a treatment group.

Saving rate of the subjects

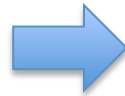# Background of the Subjects

Saving rate of 158 subjects in the treatment group categorized by salary.

Background of the Subjects

Some information from 158 subjects in the treatment group.

Self control and procrastination are here.

95% indicated saving is very important for them and want to save more

But difficult to increase saving
- Lack of willpower
- Current expenditure

SALE UP TO 80%

invesp

Background of the Subjects

Present-biased preference is also here.

More than half preferred 200 Baht today to 220 Baht tomorrow.

But, switching to prefer 220 Baht in the next 61 day to 200 Baht in the next 60 day.

Turn Our Biases to Help Us to Save More (Hopefully)

Procrastination

Self control

Inertia

Opt-out mechanism

Present-biased preference

Losses loom larger than gains

Saving more from future income

The Program and Implementation

1. Every subject automatically enrolled to the program, but can opt out from the program at any time they want.

2. The source of saving more comes from future increase salary only.

3. The increase in contribution rate is continued unless the subjects opt out of the program.

4. There are 3 saving rates from raises in subjects' future salary: 10%, 15%, and 20%.

5. These rates were randomly assigned to the subjects (52, 51, 55 subjects for each rate, respectively).

The Program and Implementation

6. Sending the letter to explain the program to all subjects in February 2017, take advantage of future is not important.

7. And wait.

Results

- Up until now 2 subjects opted out from the program. Both dropped out before the first pay raise in April.

- One was in the 10% saving more group.

- Another was in the 15% saving more group.

- 156 subjects (98.8%) are still in the program.

Results

Saving rate of the subjects
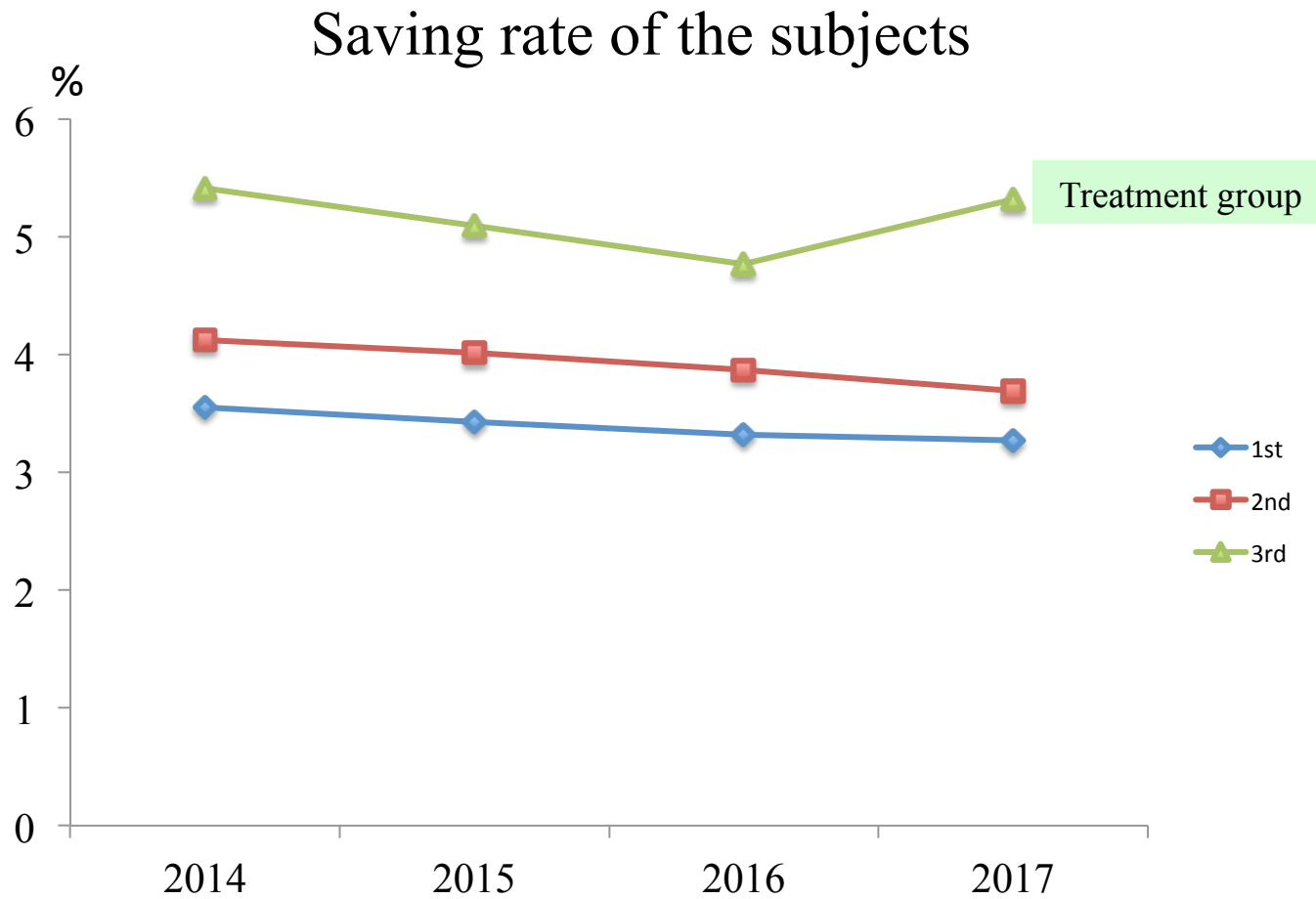
Note: 2017 data calculated using data from January to August.

Results

Predicted Average Saving Rate of the Treatment Group

Deduction from pay raise (%)	Before program	Saving rate 3 month after the program	Projected saving rates in year (%)			
			5	10	15	20
10	4.97	5.31	6.03	6.81	7.44	7.95
15	4.97	5.31	7.01	8.59	9.86	10.87
20	4.97	5.32	8.00	10.37	12.28	13.80
No program	4.97	4.97	4.05	3.25	2.61	2.09

Potential of the Program to Increase Saving Rate

- Formal sector

- Provident fund

- Average monthly salary of college degree: 16,243 Baht (470 USD)

- 5.5% increase in salary annually

- The number of employees enrolled to the provident fund: 3 million.
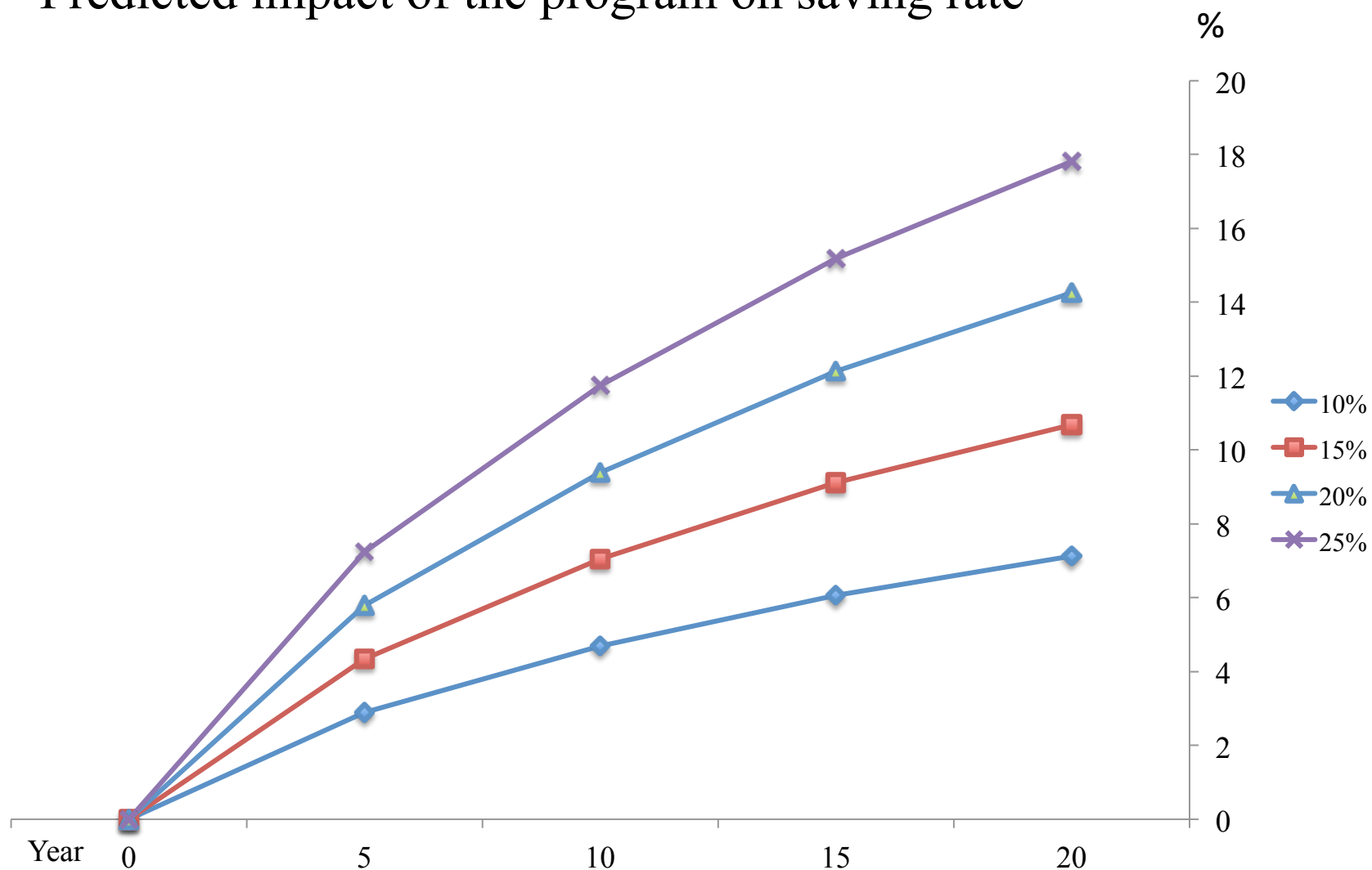
Potential of the Program to Increase Saving Rate

Predicted impact of the program on saving rate

Deduction from pay raise (%)	Projected saving rates in year (%)				
	0	5	10	15	20
10	0	2.90	4.70	6.07	7.12
15	0	4.35	7.04	9.11	10.68
20	0	5.79	9.39	12.14	14.25
25	0	7.25	11.74	15.18	17.81

Note: Employer contribution is not included.

Potential of the Program to Increase Saving Rate

Predicted impact of the program on saving rate

Potential of the Program to Increase Saving Rate

What it looks like in term of dollar?

Assumption: 5% drop out of the program every year.

Deduction from pay raise (%)	Projected increases in total savings in year (Billion Baht)				
	0	5	10	15	20
10	0	56.14	150.37	265.21	387.27
15	0	84.21	255.55	397.82	580.90
20	0	112.28	300.74	530.43	774.53
25	0	140.34	375.92	663.03	968.16

Note: These additional amounts of saving will reach 1 percent of national income in year five for the 20 and 25 percent deduction rates.

Discussion and Conclusion

1. We could turn the wheel using our biases to increase saving.

2. Cost effectiveness of the program is very attractive.

3. The program could also be applied for bonuses.

Discussion and Conclusion

To introduce this program widespread, we need to consider:

- How to determine the rate of saving more from future raise salary?

    - Offer a one single saving rate

    - Offer choices of saving rate

- Should we introduce the program as opt-out or opt-in mechanism?

- How to persuade one(s) who could make this program widespread get the idea?

- Economist as a plumber (Duflo, 2017).