Title: COVID-19 and the demand for flexible annuities

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Abstract: The demand for voluntary lifetime annuities is low. Two potential driving mechanisms behind this phenomenon are uninsurable risk early in life and financial illiteracy. COVID-19 generates a large amount of uncertainty for workers. We measure preferences for simplified and more flexible annuities. To this end, we conduct a stated choice experiment using vignettes in which respondents choose between hypothetical retirement products which vary in price, simplicity and flexibility. We estimate the Willingness To Pay (WTP) for simplicity and flexibility using a mixed logit model. Furthermore, we distinguish between sectors as well as between workers who worry about COVID-19 and those who don’t. Finally, we take into account individual beliefs and preferences such as subjective life expectancy, bequest motives and present bias.

Key words: Pensions, Annuities, Savings

Data description: We conduct an online survey in the Netherlands among 800 self-employed workers and 800 employees. The data are collected in May 2020.

JEL codes: J26, J32