

## **Private Pension Savings: Influenced by Risk Aversion?**

Constanze Büning, DIW Berlin and BIGSSS Bremen

Since the introduction of private pensions in 2002 in Germany, people are called on to provide privately for retirement. Although there have been forms of state subsidized private pensions before (for example life insurances) the so called “Riester pensions” is only designed to complement state organized pensions of employees.

Still, the savings behavior of individuals and households remains a black box. Behavioral economists enhance existing economic theories on savings by introducing psychological measures like risk aversion and self-control. In this paper the risk aversion is used to estimate its influence on first, the probability to sign a Riester pension and second on the decision of a household to save a share of its monthly income.

With the SOEP it is possible to explain the savings behavior of a large sample of the population. In the year 2004, self-assessed risk aversion is measured not only in general but also for specific areas as risk aversion in financial matters. This helps to better understand the psychological background of savings decisions and its relation with gender. Results show that women are more risk averse than men and that people who are higher risk-takers are also more likely to sign a Riester pension and to save. Interestingly, this effect does not occur for women in the multivariate analysis. A reason could be that there are only few women who signed a Riester pension in 2004. These first results show that it is worth to do more research on the influence of psychological variables on decision making processes with uncertainty.