

Effects of Incentives and Education on Financial Choices: An Experiment

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Abstract

This project uses an experiment to decompose the effects of incentives and education on financial choices. Mounting evidence reveals puzzle in consumer finance: people leave substantial amount money on the table despite the availability of educational materials to help them make better choices. Besides, they seem insensitive to some variations of incentives. This project implements an experiment on Amazon Mechanical Turk, randomizing subjects into 8 treatment arms designed to tease out the channels through which incentives and education affect health insurance choices in hypothetical scenarios. Surprisingly, incentives have limited effects on measured effort but significant effects on performance. Meanwhile, education leads to increase in measure efforts in both low and high incentive treatments but increase in performance only in high incentive treatments. The joint evidence on effort and performance suggest that in financial choices, choice difficulty may play a very important role.