

Readability, transparency and efficiency of individual pension products

(description for the general public)

The language of financial contracts is hardly understandable for many individuals. As a result, the majority of consumers has problems with choosing the best pension product and verifying its profitability. Hence the aim of this research project is an interdisciplinary assessment of individual pension contracts offered on Polish market (individual retirement accounts - IKE and individual retirement savings accounts - IKZE) in terms of their readability, clarity, costliness and efficiency. Moreover, it is to deliver information on relations between readability, clarity and efficiency of pension products. The analysis will cover pension plans offered in all legally accepted forms: bank accounts, unit-linked life insurance, investment funds, accounts in brokerage houses and voluntary pension funds.

The main steps of the research focus on assessment of:

- readability level of individual pension contracts,
- complication of pension contracts' structure,
- variety and height of costs charged by the provider,
- investment efficiency,
- interdependencies between readability, contract's clarity, costliness and investment efficiency of IKE/IKZE.

During various stages of the research the following research methods are to be used: analysis of documents, critical analysis of literature, quantitative analysis based on financial mathematics and statistics.

After the assessment of complexity and readability of the whole market of individual pension contracts, their costs and investment efficiency we will indicate the contracts of lowest readability and worst efficiency. These pension products hamper the advancements of supplementary pension market and result in some failures or negative phenomena that can be observed, f.ex. low coverage, mis-selling or redistribution to financial institutions.

Wide disseminating of project's results will bring more transparency to the market of individual pension products and will increase the knowledge in society about costs and mechanisms used in this type of products. Moreover, the project should positively affect the popularity of linguistics tools for the purpose of financial products analysis and may have a significant impact on the theory and practice of financial market operation.