

Retirement Decisions and Adequacy of Post-Retirement Income: An International Study

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Abstract

Demographic and socio-economic aspects as well as institutional factors are important determinants of retirement decisions. Our paper examines the microeconomic evidence on ageing population, effective retirement age, pre-retirement income and the adequacy of post-retirement financial provision in Europe by using the SHARE (survey of Health, Ageing and Retirement in Europe) and the ELSA (English Longitudinal Study of Ageing) surveys. It is argued that countries with a higher dependency on state pension and benefits face a bigger problem in terms of ageing population and adequacy of saving for post-retirement income. In the UK, for example, where the state pension represents a smaller proportion of post-retirement income, many amongst the working-age population have some form of private savings. Once again, the adequacy of private saving for retirement is questioned, particularly for those with low pre-retirement incomes and those in the younger age groups. We demonstrate that the effective retirement ages vary considerably between different countries in Europe and depend essentially on expectations of future financial provisions. Further we show how the two factors that impact the adequacy of retirement income the most, age at which individuals start saving for retirement and the amounts saved, are linked to pre-retirement earnings the former and to the levels of state pension and benefits expected the latter.

Keywords: Adequacy of post-retirement income, retirement age, retirement decision, saving