

Do you Need Less Money in Retirement?

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The literature has documented a one-off drop in consumption at retirement that may be difficult to reconcile with Modigliani's life cycle model – the retirement consumption puzzle. We use recently released Italian micro data to estimate the effect of retirement on the minimum amount of money needed to “live comfortably but not in luxury”. We find that at retirement non-durable consumption decreases by 9.8 percent and that respondents declare they need 9.9 percent less money to “live comfortably but not in luxury”