

Pension adequacy standards: Empirical estimates for the United States and Germany

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Due to increasing life expectancy pension provisions need to last longer and longer, casting doubt on the financial security of pensioners. Surprisingly, it is unclear what pension level can be considered to be adequate. In this paper, we propose a general framework for the estimation of pension adequacy standards. Applying a range of econometric estimation techniques to data from the U.S. and Germany, we find that a net pension income around 100% of the last net working life income can be considered adequate, give or take 10 percentage points. Extensive sensitivity checks suggest that this finding is robust.