

How the crisis may affect retirement decisions in UK

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Abstract

The recent global economic and financial crisis has exerted additional stress on pension systems. Public pension systems have been negatively affected as the value of the pension is usually linked to variations in macroeconomic variables. Private pensions have been severely affected by both the downturn in the stock market and the significant decline in house prices. These developments will almost certainly result in people delaying their retirement in order to get at least the same purchasing power as the one resulting under a non-adverse environment. However, the net effect of the financial and economic crisis on retirement is far from clear. In particular, while the current decline in home values and stock prices would be expected to lead to a decrease in the number of retirements, the effect of the increase in unemployment, resulting for the crisis, means that quite the opposite is true.

The aim of this project is to investigate how the recent economic and financial crisis has affected the retirement decisions of individuals in the UK. The project will extend and develop previous work by Coile and Levine (2011), whose paper exclusively focused on private provision in the USA, and will address questions about how stock market wealth, housing wealth and unemployment influence retirees decisions in the UK.

Keywords: Econometrics, Retirement, Stock market, Housing market, Unemployment.

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