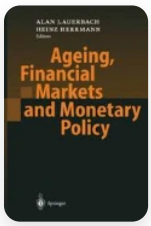
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Developments in Decumulation: The Role of Annuity Products in Financing Retirement

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Abstract

Driven by the prospect of a global ageing boom, researchers and policy-makers throughout the developed world have devoted substantial effort to exploring what motivates household-asset *accumulation* patterns. It is during the accumulation phase that a society seeks to build up resources adequate to finance retirement. More remains to be learned about this process, but even less is known about what happens to people later in life, during which they are confronted with the need to *decumulate* their resources in an orderly manner in retirement. To understand this decumulation process better, along with the factors that influence it, this paper explores a particular financial tool that helps protect against key financial risks at the end of life. Specifically, I examine the role of the *life annuity*, a financial contract in which the purchaser exchanges a certain sum of money for a continuous stream of benefits until he dies. The insurer, or annuity provider, pools longevity risk across all contract-holders and is thus able to offer longevity insurance for the customer population.

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