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Ownership of individual retirement accounts – an empirical analysis based on SHARE

Maria Teresa Medeiros Garcia & Pedro Deslandes Correia Vasconcelos Marques

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Abstract

This paper examines the household retirement saving decisions in what concerns to the ownership of Individual Retirement Accounts (IRAs) in eight European Union (EU) countries. IRAs are more and more seen as an alternative to public pension benefits, which are decreasing. Therefore, understanding the enrolment in IRAs, both the socio-economic factors and over time, is most important. Detailed empirical analysis of the factors that might influence the ownership of IRAs is presented based on Survey of Health Ageing and Retirement in Europe (SHARE), using data from Wave 2 (2006–2007) and Wave 4 (2010–2011). Further, to analyse the impact of legal retirement age in the ownership of IRAs, two subsamples are considered: people aged between 50 and 64 years old (50–64 years) and people aged 65 or over (≥ 65 years). The results suggest that age, years of education, income and ownership of dwelling influence positively and significantly household saving, while number of children, marital status and risk aversion have a negative effect. Marital status and income are not statistically significant for retired people. Policy implications are derived.

Keywords:

Households savings retirement SHARE Europe

JEL classification:

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Notes

1. See SHARE Survey of Health, Ageing and Retirement in Europe, 2012.

2. The third wave of data collection for SHARE is also known as SHARELIFE. The fieldwork for Wave 5 was done but collected data and the conclusions were not released yet.

3. France, Germany, Italy, Netherlands, Poland, Spain, Sweden and UK.

4. As mentioned, SHARELIFE is the designation for the third wave of data collection for SHARE.

5. Albania, Bosnia and Herzegovina, Bulgaria, Czech Republic, Croatia, Hungary, Macedonia FYR, Poland, Romania and Serbia.

6. Austria, Belgium, Denmark, France, Germany, Greece, Italy, Netherlands, Spain, Sweden, Switzerland and Israel.

7. Czech Republic, Ireland and Poland.

8. Estonia, Hungary, Portugal and Slovenia.

9. An alternative could be Amount IRAs. However, in this case there are much more refusal and don’t know answers.

10. According to the Mutual Information System on Social Protection (MISSOC), 65 years old is the prevalent legal retirement age.

11. The variable considered for income represents the total income received in previous years (2005 and 2009, respectively).