

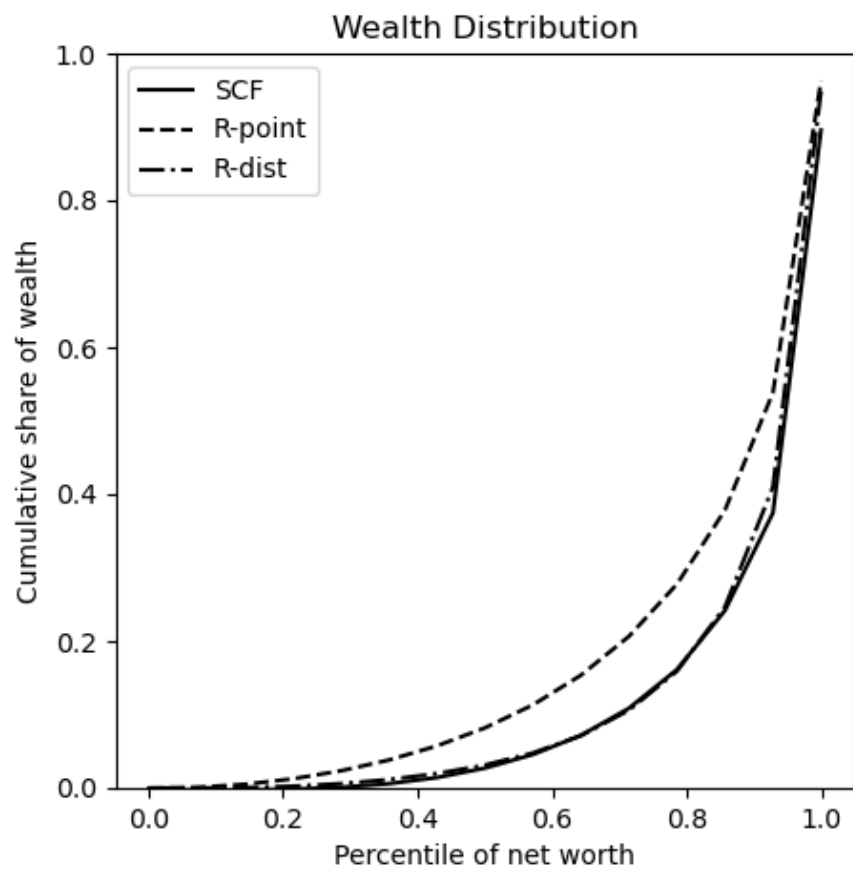
# 1 Results for the life cycle model

The additional parameters necessary to calibrate the life cycle version of the model are given in table 1.

Description	Parameter	Value
Population growth rate	$N$	0.0025
Technological growth rate	$\Gamma$	0.0037
Rate of high school dropouts	$\theta_D$	0.11
Rate of high school graduates	$\theta_{HS}$	0.55
Rate of college graduates	$\theta_C$	.34
Average initial permanent income, dropout	$\mathbf{p}_{D0}^-$	5000
Average initial permanent income, high school	$\mathbf{p}_{HS0}^-$	7500
Average initial permanent income, college	$\mathbf{p}_{C0}^-$	12000
Unempl. insurance payment	$\mu$	0.15
Labor income tax rate	$\tau$	0.0942

**Table 1** Parameter values (quarterly frequency) for the life cycle model.

The estimation procedure finds this optimal value to be  $R = 1.0078$  for the R-point model in this setting. The estimation procedure for the R-dist model in the life cycle setting finds optimal values of  $R = 1.0005$  and  $\nabla = 0.01836$ . Consider the improved performance of the estimation in matching the 2004 SCF wealth data, which is compared in figure 1.



**Figure 1** Life cycle lorenz curve v.s. data