How Raising the Statutory Retirement Age Affects Household Savings
Evidence from the 2007 German Pension Reform

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Motivation & Research Question

- Statutory retirement age (SRA) was raised from 65 to 67.
- If SRA shifts expectations, households may recalibrate saving.
- Consumption smoothing, stability, retirement preparedness...
- Distributional effects and policy implications.

Gap

Findings on SRA/ERA reforms and private saving are mixed;
Mechanisms under-identified;
The 2007 SRA reform on saving remains underexplored.

How did raising the SRA affect household savings? Through which channels do they operate?

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Data & Methods

Two complementary datasets

- GSOEP, 2003–2010: large sample size, long window
- SAVE, 2003–2010: rich modules on savings and expectations

Difference-in-Differences Design

- Employee & Self-employed
- On Extensive Margin and Intensive Margin

Main Results

On the extensive margin: no meaningful participation response

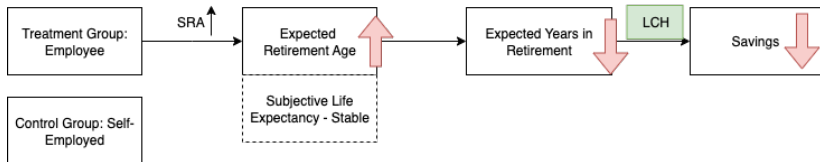On the intensive margin: $- \approx 32\%$

Employee $\times$ Post	-0.373^*
	(0.201)
Observations	4767
R^2	0.176

Robustness Check

	Extensive Margin	Intensive Margin
Main Results	−0.007	−0.373*
	(0.047)	(0.201)
Full Sample Estimators		
Tobit	−117.49	
	(97.16)	
PPML	−0.199	
	(0.175)	
Alternative Specifications		
Saving Rate	/	−0.048*
	/	(0.025)
Compositional Change	−0.050	−0.255
	(0.038)	(0.182)
Extended Time Window	0.026	−0.107
	(0.054)	(0.281)

Results from the preferred specifications. AMEs are reported for the extensive margin; coefficients are reported for the intensive margin.

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Mechanisms

	Expected Retirement Age	Expected Years in Retirement		
	All	All	Female	Male
Employee × Post	1.71**	−3.53*	−5.45*	−1.94
	(0.83)	(1.89)	(2.96)	(2.34)
Observations	2,776	3,302	1,607	1,695

Conclusion

- No detectable effect on the probability of saving;
- Among savers, the reform caused a 32% drop in savings.
- A mechanism through expectation is proposed:
  Expected retirement age $\uparrow$ 1.7y; expected years in retirement $\downarrow$ 3.5y $\Rightarrow$ lower saving $\downarrow$32% (LCH).

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