

Does Retirement Affect Time Preferences?

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Abstract

This paper uses panel data from the Japan Household Panel Survey (JSPS) starting from a sample limited to people aged 25-80 years old to examine the effect of retirement on time preferences. A retired individual is defined as someone who is currently not working and not looking for work. Since the timing of retirement is an endogenous choice variable for the household, we use an instrumental variable (IV) estimator with the instrument(s) based on the differing pension eligibility ages for the base portion and remuneration portion of the Employee Pension Insurance System (Kosei Nenkin) and differing eligibility ages depending on basically birth years. Our empirical results suggest that there is some evidence particularly for women that retirement reduces discount rates.

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