Analyzing expenditures of Dutch elderly

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Summary

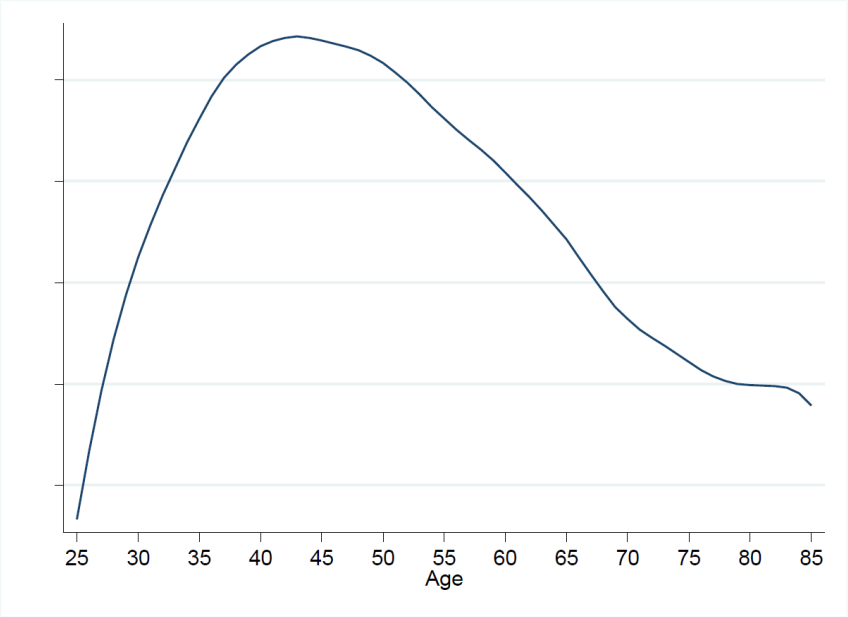
- Aim: gain a better understanding of whether the retirement savings of elderly are adequate.
- How: look at spending patterns over the life cycle (as a complement to research on income and wealth.)
- Focus: health and expenditures
- Why: Understand how reforms leading to increased health expenditures could affect pension adequacy

First: compliments

- Very interesting paper!
- Deals with unclearities around downward sloping path of expenditures after mid-age
- And deals with unclearities surrounding health state dependence in utility.
- Rich data $\rightarrow$ consumption categories ánd health status ánd panel data!
- Detailed analysis

Relation to literature I

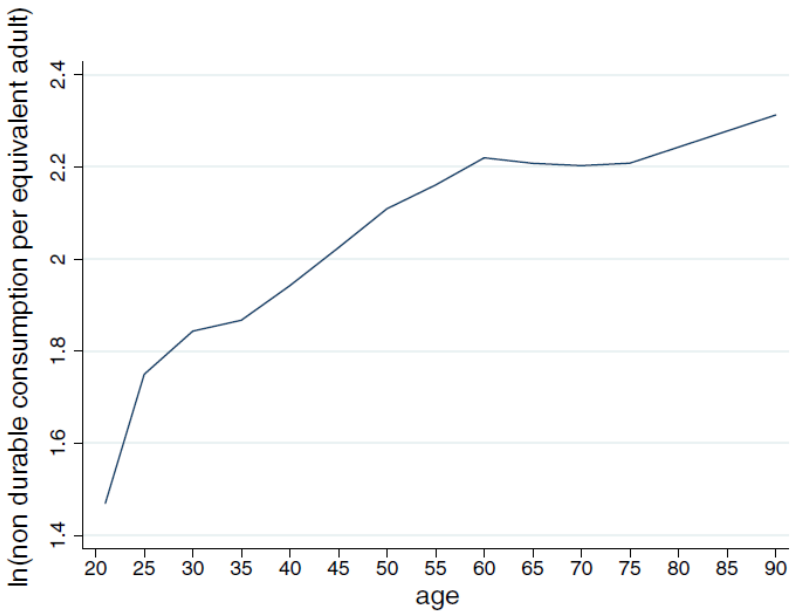
Figure: Figure 3 of van Ooijen et al. (2016)



- Plot of age coefficients of equation:
  $c_{ht} = \alpha_0 + \alpha_1 Age_{ht} + \alpha_2 Cohort_{ht} + \alpha_3 Period_t + \alpha_4 Couple_{ht} + \alpha_5 Children_{ht} + \epsilon_{ht}$
- Hence corrected for family formation?
- Result agrees with results Fernandez-Villaverde and Krueger (2007)

Relation to literature I

Figure: Figure 5 Alessie and de Ree (2009)



- Alessie en de Ree (2009) show that the hump in non-durable consumption in NL can mostly attributed to family formation
- After correcting for family formation increasing pattern
- Disagrees with results Fernandez-Villaverde and Krueger (2007), possibly due to institutional differences: generous pension system NL
- Why do you think your results are different?

Relation to literature II

- "Average per-capita expenditures rise slightly, from EUR 1250 at age 25 to approximately EUR 1750 at age 50 and gradually decline afterwards to approximately EUR 1400 at age 85."
- i.e. after 50: 0.63% drop in consumption per year
- This is lower than numbers documented by Banks et al. (2015) for the UK (3% per year) and the US (1% per year)?
- Wouldn't you expect a number closer to the UK?

Relation model - results

- AIDS requires coefficients to add up to 0, but they do not seem to?
  - Is/Should the consumption category other be included in regressions? (not in results tables now)
- Your model is equal to AIDS model under the assumption that relative prices have been constant over time.
  - Relative prices dó change in 2015: price of medical care no longer 0.
  - Do the baseline results still hold up then?

Results

- I could be helped by a bit more context to the results, as some results are puzzling to me, for example:
  - Table 4: How come the effect of health for a single person is so different from effect of two sick people in a couple? Both don't have intra-household informal care.
  - Appendix A, 75+ couples: when one household member gets sick, there seems to be substitution between cleaning and maintenance and medical expenditures, but when only one gets sick there is a reduction in the expenditure share for cleaning and maintenance, but not an increase in medical expenditures.
  - Appendix A, 75+: for singles we see an increase in housing expenditure share due to health shock, while for couples we see a decrease..

Conclusion

In short:

- Very valuable paper, because of interesting question and unique data.
- Here and there it needs some more context in relation to other literature and results.