

## **Future-post-retirement debt-affordability in the Netherlands, interest rate shocks and voluntary repayments**

We investigate the affordability of mortgage debt in the post-retirement period for different cohorts in the Netherlands. Affordability depends on a number of uncertain macro/micro outcomes and institutional details, such as the future interest rate, the willingness of households to voluntarily repay their debt and the termination of the mortgage interest deduction (MID) after 30 years. We describe current affordability of present-day elderly and the transmission of an interest rate shock to future retirees. We examine standard mitigants, such as delays due to a future interest-rate-reset-date, tax deduction of the interest paid on mortgages, the amortization of different mortgage types and conjunctural factors. We also include the possibility of behavioral responses, where households can alleviate the effect of a shock by reducing debt using voluntary repayments. This study shows a significant dampening role of voluntary repayments on the effects of an interest rate shock. We show that post-retirement debt affordability varies across cohorts and scenarios. Our baseline specification shows that 6% of those retiring after 2030 will no longer be able to afford their debt.