

Household Saving over the Life Cycle: International Evidence from Micro Data *

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Abstract

In this paper I estimate age-saving profiles from micro data in six countries (Italy, Japan, Taiwan, Thailand, the UK, and the US) to verify whether households are saving as postulated by the life-cycle theory. The level of household savings depends on age, cohort and year effects, and the perfect collinearity among these effects is broken by applying a nonparametric regression model. In this model, the cohort effect is assumed to be an arbitrary smooth function, and the model is estimated by the generalized additive model with a penalized smoothing spline approach. Estimated saving-age profiles showed declining savings in the old age for the majority of examined countries. An interesting feature for Asian households was a double hump in savings, with a temporal dip for households for the age bracket at around mid-40s.

JEL classification: D91; E21

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