

Effect of subjective expectation and life satisfaction on stock of wealth of elderly individual

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- Research question and direction of the causation
- Data & Methodology
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How much is enough?



<http://jayperoni.com/how-much-should-you-be-saving-for-retirement>

Through the lens of the Life cycle model of Modigliani (1966)

Saving is a function of

- **Income/wealth**
- **Age**

We propose to add to it

- Reduction in State Spending on pension
- **Life/job satisfaction** (Life satisfaction will be the focus of our presentation)



• <http://www.writingwriting.com/academic-writing/research-design/>

Saving affects life satisfaction

- Seem reasonable!
- Money is positively related to happiness in a relatively short-term (e.g., winning lottery or salary increase) (see Dunn, Gilbert, & Wilson, 2011; Gardner & Oswald, 2001; Headey, Muffels, & Wooden, 2004; Kahneman & Deaton, 2010; Smith, 2000)
- But the effect of money on happiness is **weak** (Dunn et al., 2011).
- Are richer people the happier?

Life satisfaction affects saving

- Happiness - Increase likelihood of thinking about the future - Plan financially: see Graham, C., Eggers, A., & Sukhtankar, S(2004)(using the Russian Longitudinal Monitoring Survey) and Guven (2012) (using Dutch household survey)
- Happiness - Positive affects (emotion, e.g. excited) - if the latter is frequent - success in life (wealth, relationship quality) Lyubomirsky, S., King, L., & Diener, E. (2005) using panel and experimental evidences
- **Happiness - good health and good quality relationship - a greater likelihood of being at work / earning an income** (De Neve & Oswald, 2012)

Data and method

- Panel data?
- Cross-section of wave 2 and 4 used.
- Logistic regression (dependent variables are participation decision Yes/No) – One observation per ID number

1	Life satisfaction ($r=0.4$ with chance of living in 10 years)	How often do you look forward to each day?	1. Never 2. Rarely 3. Sometimes 4. Often	ALPHA 0.8 (wave 2 and wave 4)
		How often do you feel that your life has meaning?	-	
		How often, on balance, do you look back on your life with a sense of happiness?	-	
		How often do you feel full of energy these days?	-	
		How often do you feel that life is full of opportunities?	-	
2	Subjective expectations	a) What are the chances that before you retire the government will reduce the pension which you are entitled to?	(0 to 100)	n/a
3		c) What are the chances that you will be living in 10 years?	(0 to 100)	n/a

Robust Logistic Regression Models - Response variables are dummies: 0 = No 1 = Yes

	(1) Personal private pension	(2) Contractual savings	(3) Stocks	(4) Mutual funds	(5) Government bonds	(6) Personal private pension
Net financial wealth (Log)	1.155*** (12.96)	1.037*** (3.54)	1.669*** (21.30)	1.688*** (19.85)	1.793*** (17.82)	1.254*** (13.81)
Age	0.931*** (-28.84)	0.982*** (-8.16)	0.988*** (-5.35)	0.994* (-2.38)	1.014*** (4.52)	0.892*** (-8.58)
Square of centered age	0.999*** (-3.94)	0.999*** (-4.33)	1.000 (-0.19)	1.000* (-1.96)	1.000 (-0.97)	0.995*** (-6.75)
Life satisfaction	1.163*** (8.18)	1.281*** (10.75)	1.362*** (11.28)	1.325*** (8.94)	1.164*** (4.41)	
chance Gov. reduces your pension						1.004*** (6.44)
Observations	23052	20522	23023	22999	23019	8484
p	4.23e-279	5.29e-111	2.23e-221	6.87e-158	1.07e-103	4.28e-78
chi2	1317.3	537.8	1050.2	755.8	503.8	384.3
r2_p	0.0789	0.0361	0.119	0.101	0.0993	0.0433

Exponentiated coefficients; *t* statistics in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Source: Author's own calculations using SHARE data set, 2013

others variables added to the model

- Gender
- Marital status
- Country

Thank you!



<http://www.xconomy.com/san-francisco/2011/11/16/why-do-people-answer-questions-on-qa-sites-ask-com-users-speak-up/attachment/a/>