

## Health Status and the Saving Behaviour of Pensioners Evidence from Romania

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### **Non-technical summary**

The paper examines the impact of health on the saving behavior of Romanian retired households, as health status is mentioned in the literature among the main reasons against the dissaving prediction embodied in classic version of the life-cycle model. It uses a dataset drawn from monthly repeated cross sectional Household Budget Survey data for the 2004-2008 period that captures extensive information regarding the health status of each household member.

In a society where pensioners have universal public health insurance coverage, a PAYG pension system and 98% of them own the house they live in, the findings indicate that:

- Retired households continue to save, with savings rate not only increasing with the number of household members, but also increasing even faster with the number of healthy members relative to those with a different health status.
- After controlling for healthcare costs, the positive effect of the health status variables on savings reflects the influence of the precautionary motive alone, as households with at least one ill member during the interview month also save more. Naturally, current healthcare costs like hospital stays, routine check-ups and medicines negatively affect the saving rate.
- Life expectancy is weakly significant and becomes even less significant once health-related variables are included in the regression. A similar conclusion can be drawn for the life expectancy gap among household members. These results come to confirm that it is not life expectancy per se that drives saving at old age, but the health status which, in turn, affects the household's life expectancy.
- Retired households save marginally more from the non-pensions income. However, both receiving and giving financial aid from/to family or friends have a negative and significant impact on savings. Although captured here in cross sectional data these last effects could, for example, occur both across the time for the same family: pensioners might transfer money to their children in expectation that the children will return the help if needed.

Keywords: pensioners, savings, health status

JEL classification: D91, H75, I10.