

Individual Private Retirement Insurances: the effects of socio-demographics characteristics on poverty

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Abstract

Funded private pillars are well developed in many countries such as the United States, the United Kingdom, Canada, Switzerland and the Netherlands. In France, the development of occupational pension plans has been limited. However, in this country, households tend to increase their personal saving by contracting life insurances in order to finance their retirement.

In France as in other OECD countries, the trend to have more sustainable pension systems raises the question of the poverty during the retirement period. By encouraging a decrease in the replacement rate, reforms of public pension systems could expose a vulnerable part of the population to the risk of poverty. Among households, low-income earners and women are particularly exposed to the risk of poverty during their working life and then during their retirement period.

In this context, could life insurance and private retirement contracts avoid – or reduce – the risk of poverty? By completing the income during the retirement and providing a capital or an annuity, such assets could reduce the poverty of the pensioners.

In this paper, we study the household poverty risk for retired and analyze the behaviour of endowment insurance and annuities holding in France, by using an econometric model.

KEYWORDS: PRIVATE PENSION INSURANCE, AGEING, POVERTY

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