

Abstract

This paper attempts to assess the relative importance of precautionary saving and bequest motives in explaining the saving behavior of the retired elderly in Japan using unique information from two household surveys—namely, the Survey on Households and Saving and the Preference Parameters Study. Taken together, our analyses of these two datasets show that both precautionary saving and bequest motives are important drivers behind the lower than expected wealth decumulation rate of the elderly but that precautionary saving plays an especially important role, at least in the case of Japan. We also find that the financial burden of parental care can be significant enough to affect the saving behavior of the elderly in Japan. Given that parental care responsibilities tend to arise relatively late in life, often after retirement, in the case of Japan, our results suggest that it is important to take into account the financial burden of parental care when analyzing the saving behavior of the elderly.