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Too poor to retire? Housing prices and retirement

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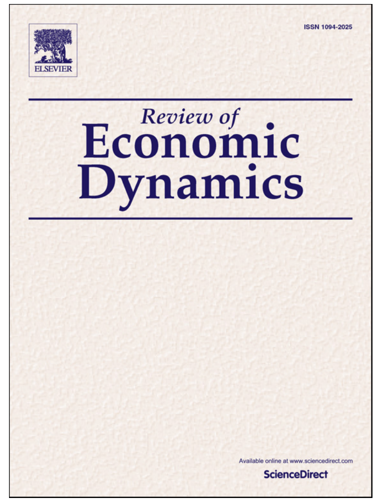

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Highlights

- The near-retirement households in the US experienced larger drops in consumption and greater increases in LFP during the financial crisis of 2007–2009.
- Calibrated model shows that after an unexpected 28 percent housing price decline, near-retirement homeowners ages 55–64 will reduce their consumption by 4.6 percent and increase their LFP by 1 percentage point immediately.
- The impact of housing price shock is persistent. Model predicts that the near-retirement homeowners will delay their retirement by 2.8 months in the long run.