

## **How the households adjust their consumption and investment plans under longevity risk**

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### **Abstract**

The purpose of this paper is to use an experimental methodology to investigate how households will adjust their consumption and investment plans to manage longevity risk. We find that households preferred to change their asset allocation, rather than cut their consumption in response to longevity risk. The households intend to increase the risky asset portion when they faced a longevity risk before retirement. Moreover, we also discover households with greater risk aversion, more children, and bequest motivation plan to reduce their proportion of risky assets with a longevity risk. Further, households with a higher life expectancy intend to increase their risky asset holdings after retirement.

Key words: Longevity risk, Experimental, Consumption Decisions, Investment Decision