

SYNOPSIS

Retirement Planning and Social Security

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Key words: Superannuation, Retirement planning, taxation, social security, dynamic programming, utility functions

Purpose of your paper:

Impact of Australian social security and taxation rules on retirement planning using a CRRA utility function under a dynamic programming framework.

Synopsis:

Two of the main decisions in retirement planning are asset allocation and consumption. In this study employing a CRRA utility function in the dynamic programming framework; firstly we analyze the optimal decisions in retirement planning both during working life and in retirement under the current taxation rules. Then the impact of the existing social security structure, in particular the age pension, on the optimal decisions is analyzed. Any policy implications are discussed.