

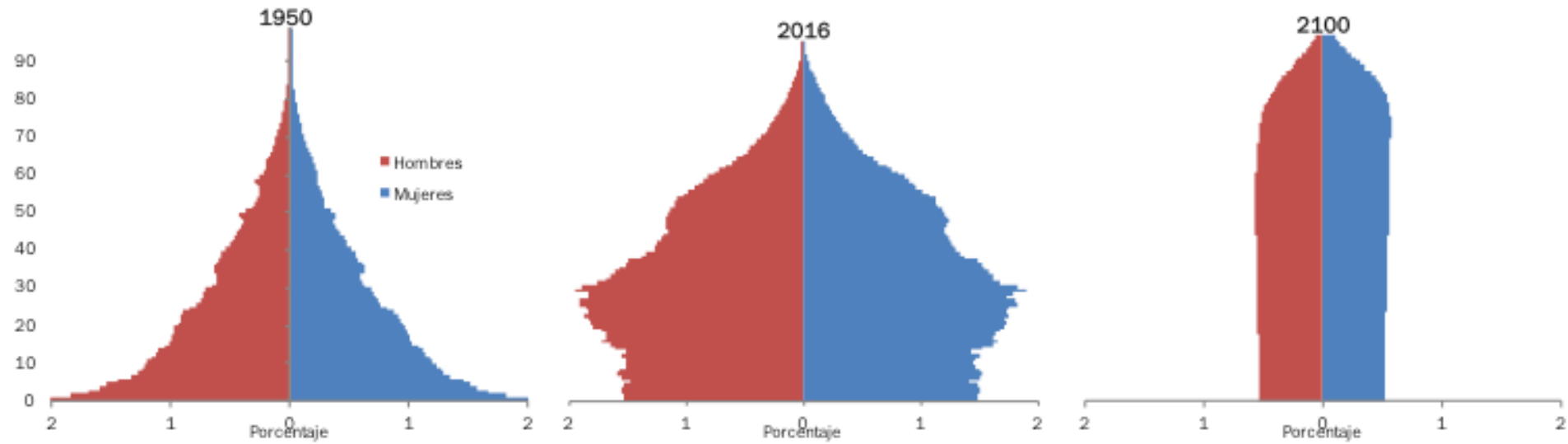
Financing the life cycle deficit in Costa Rica: Challenges for a rapidly aging population

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Demographic transition

Population by age group and sex





Objectives

- Changes in the life cycle deficit and public and private transfers: **2004 and 2013**
- Implications of demographic change for the public transfer system
- New estimates of the family and fiscal demographic bonus



Methods

- “*Measuring and Analysing the Generational Economy*”
- Microdata:
 - Household income and expenditure survey: 2013
- Macrodata:
 - Central Bank National Accounts data: Integrated economic accounts (SNA 2008) **
 - 2004 estimates used older versions of SNA

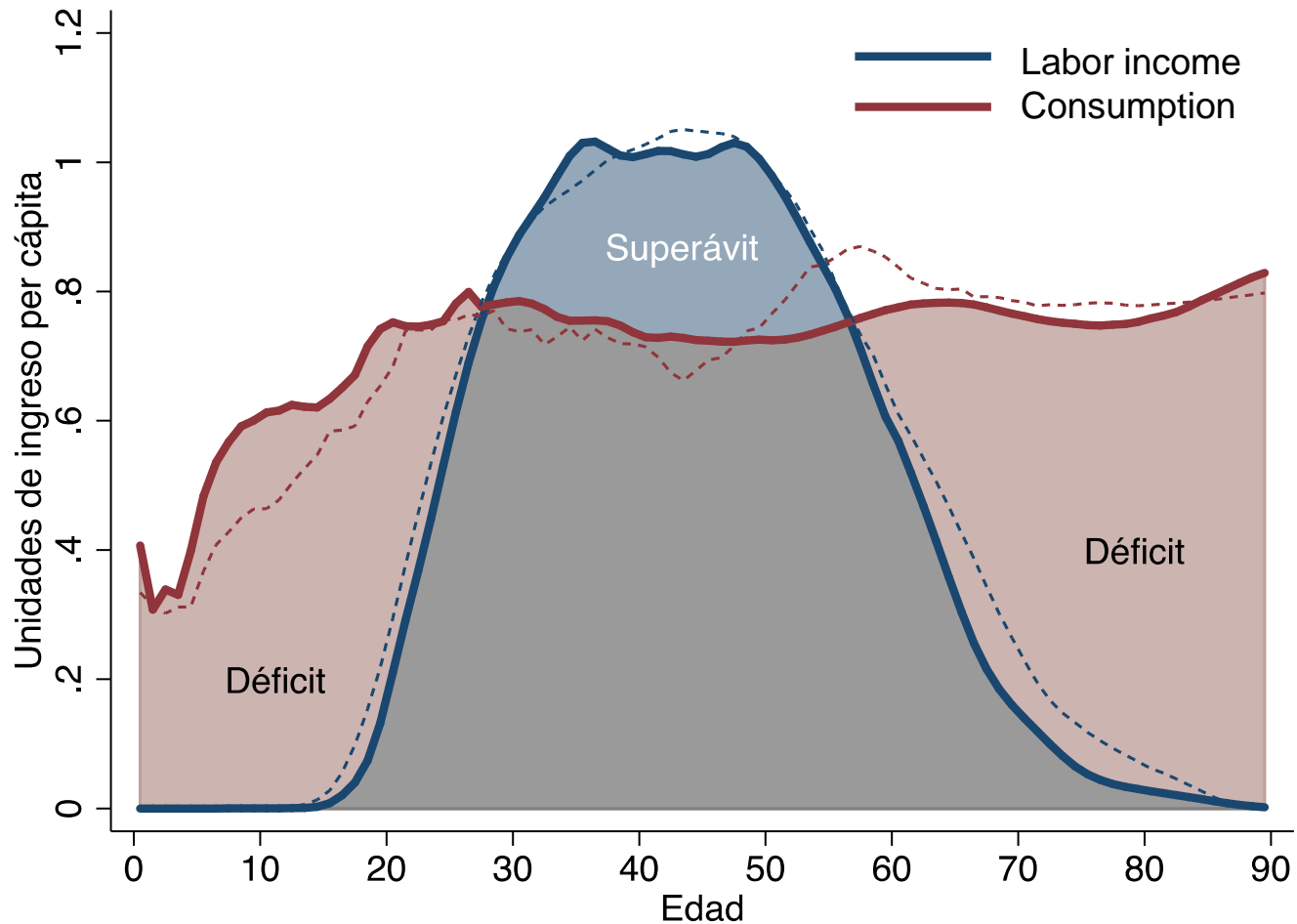


Results



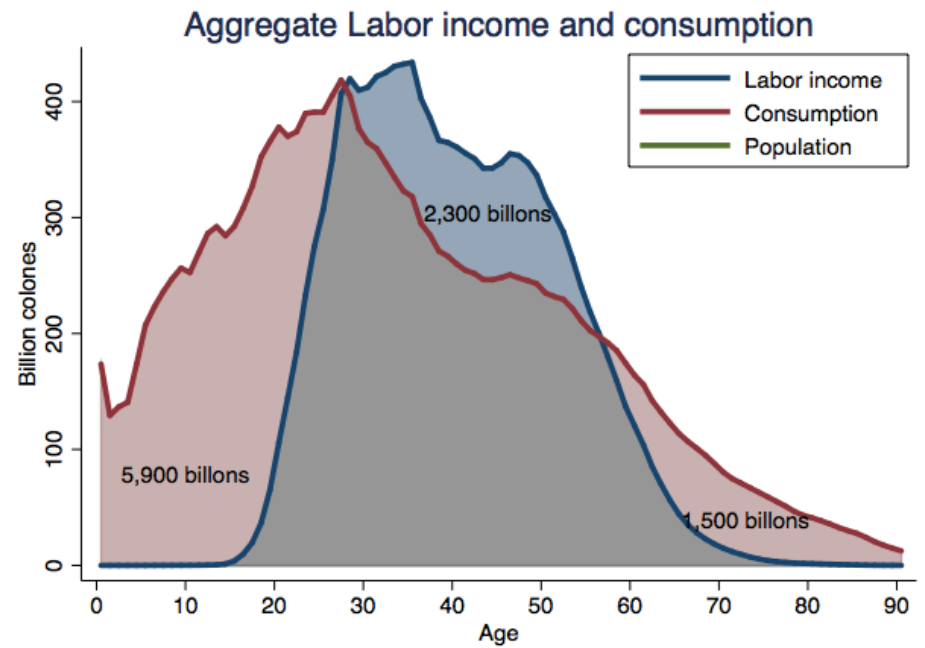
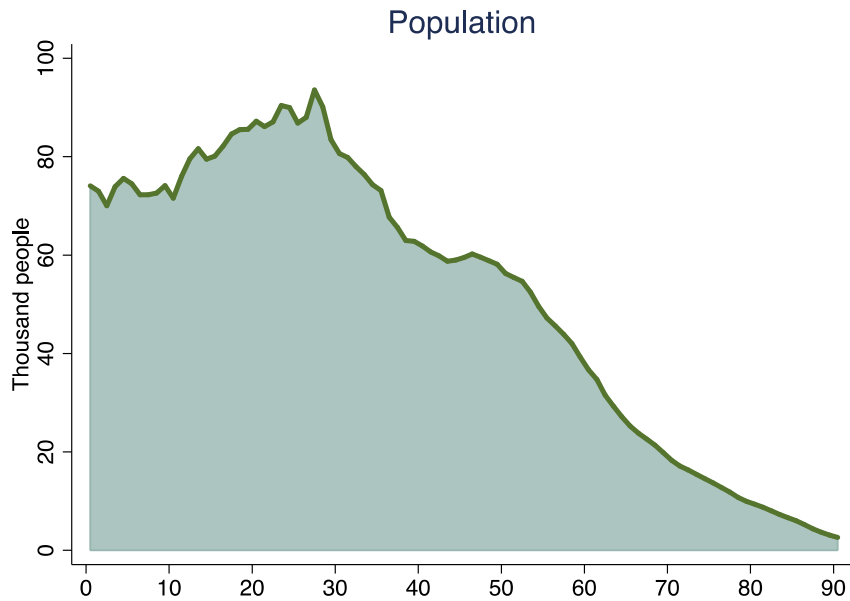
Life Cycle in Costa Rica

Per capita lifecycle deficit, Costa Rica 2004 and 2013



Lineas punteadas indican 2004

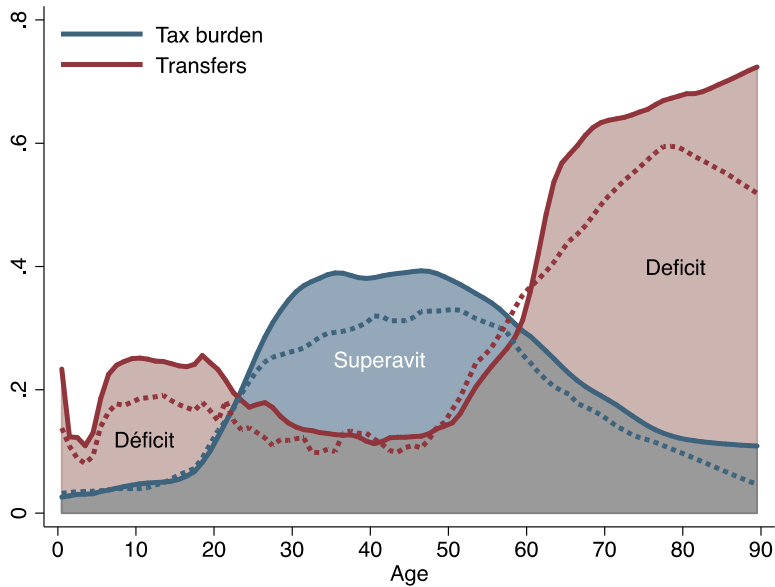
Aggregate lifecycle deficit, Costa Rica



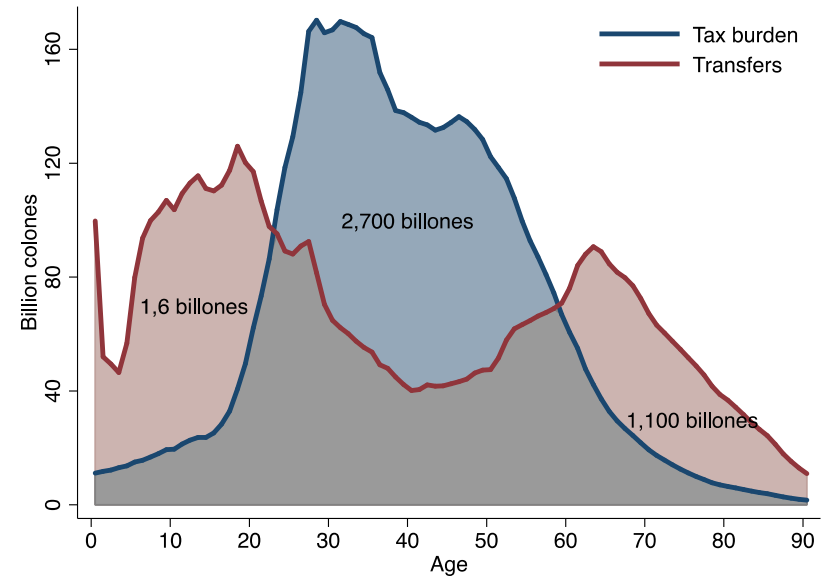
Financing the lifecycle deficit

Public transfers lifecycle deficit

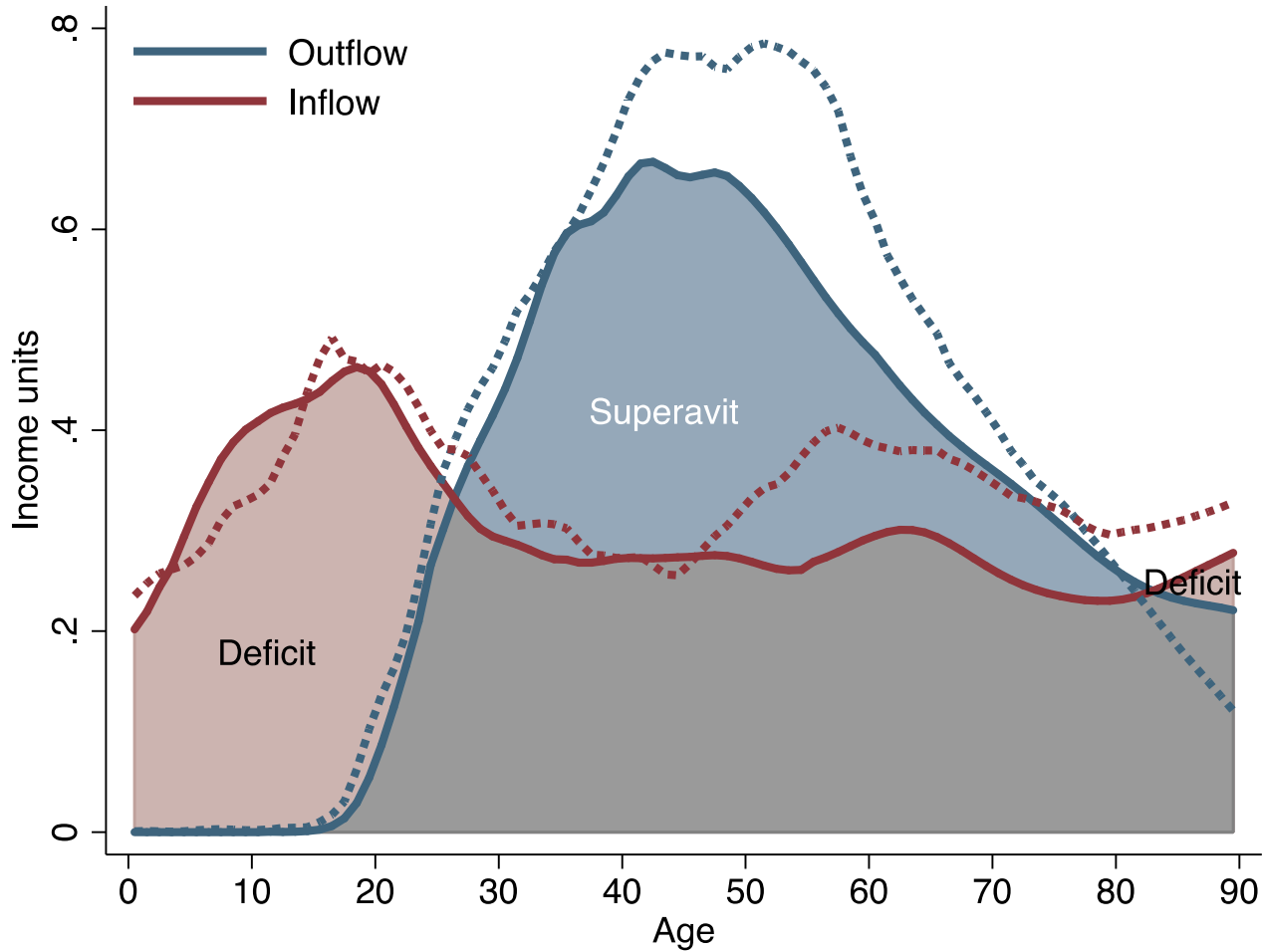
Per capita profiles



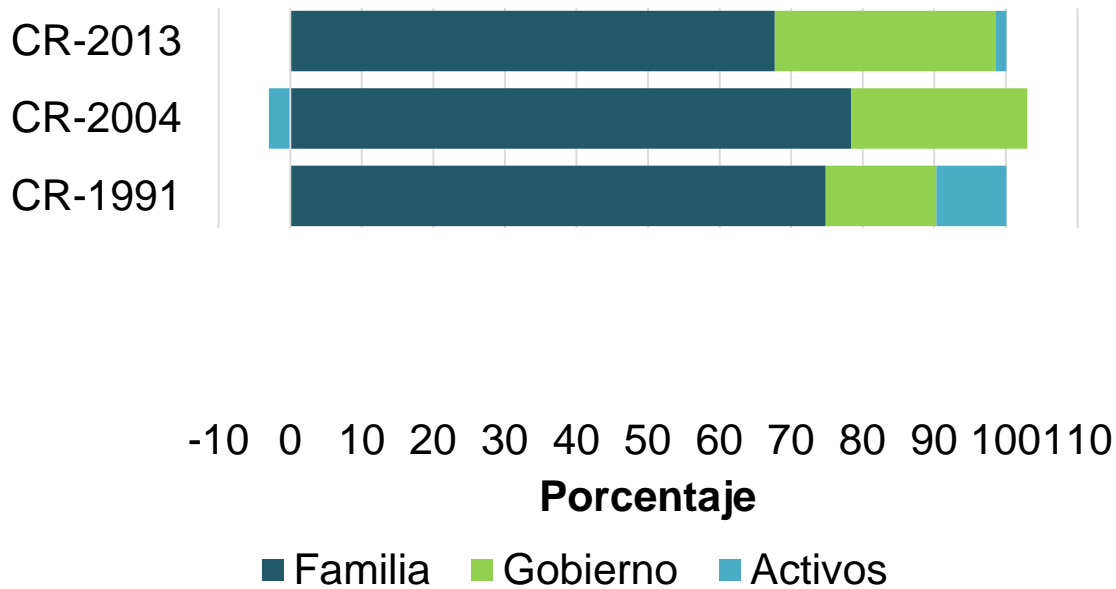
Aggregate profiles



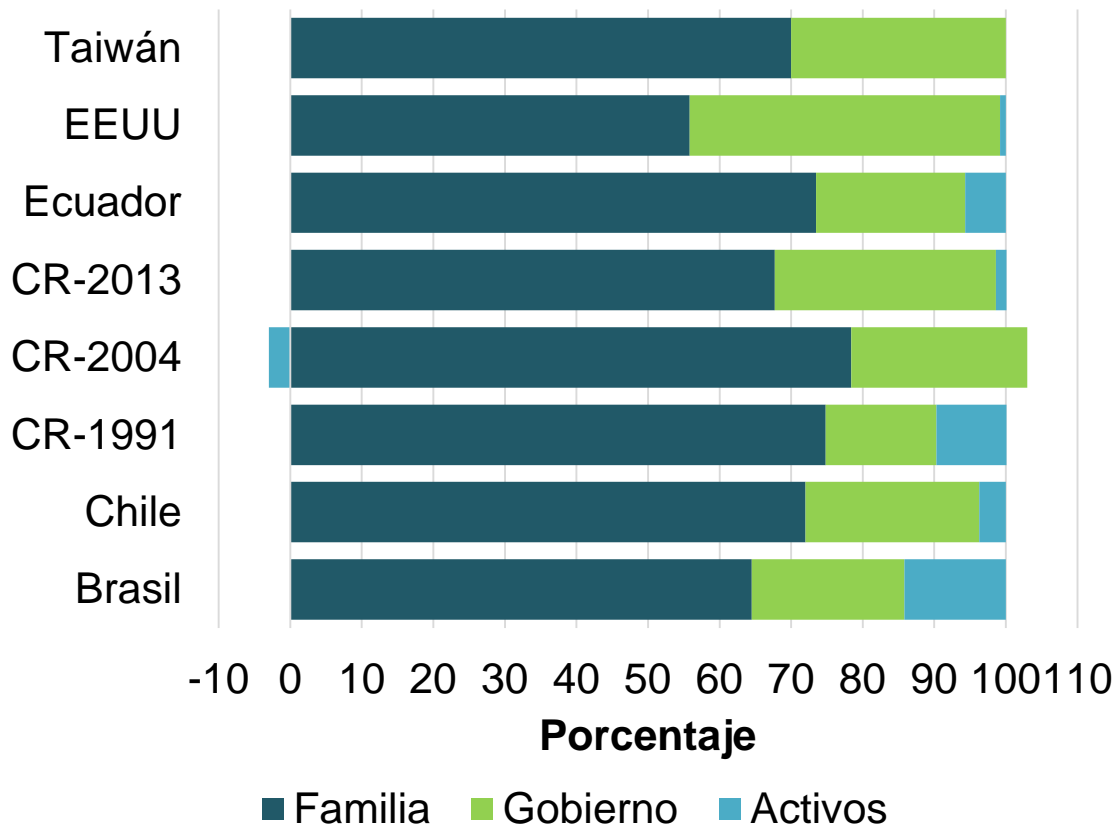
Per capita private transfer profiles



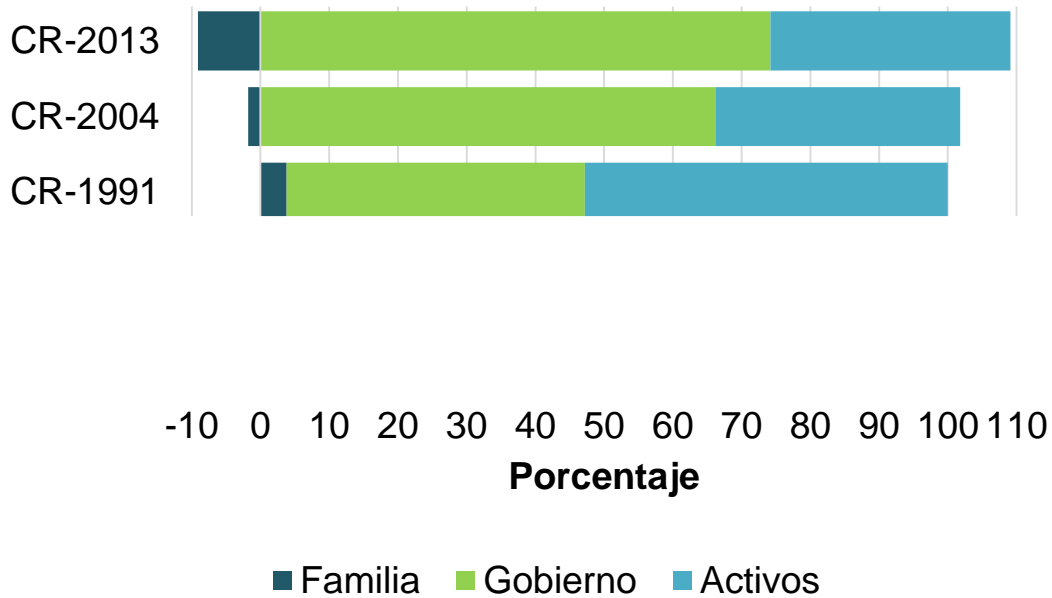
Financing the deficit of the young (age less than 20)



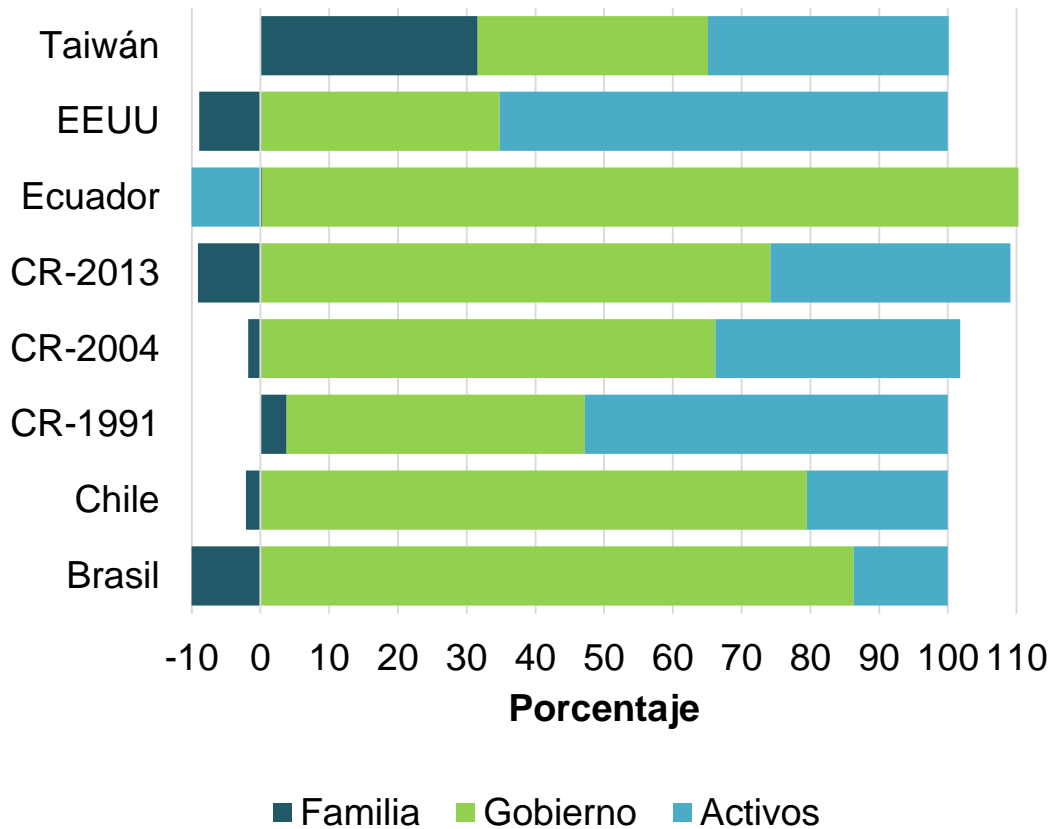
Financing the deficit of the young (age less than 20)



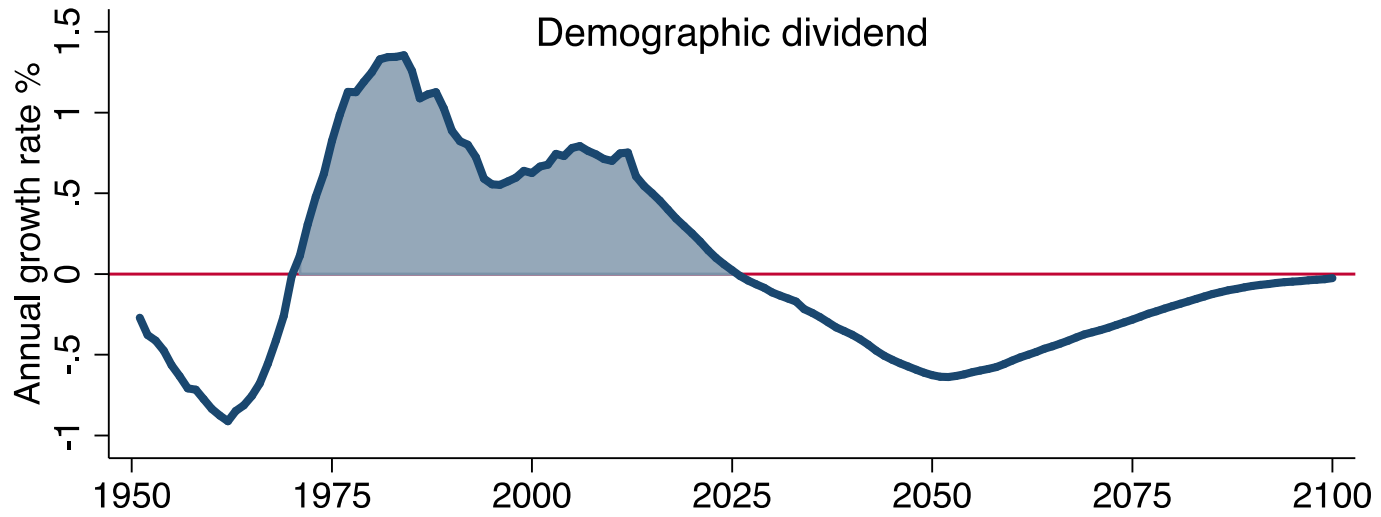
Financing the deficit of the elderly



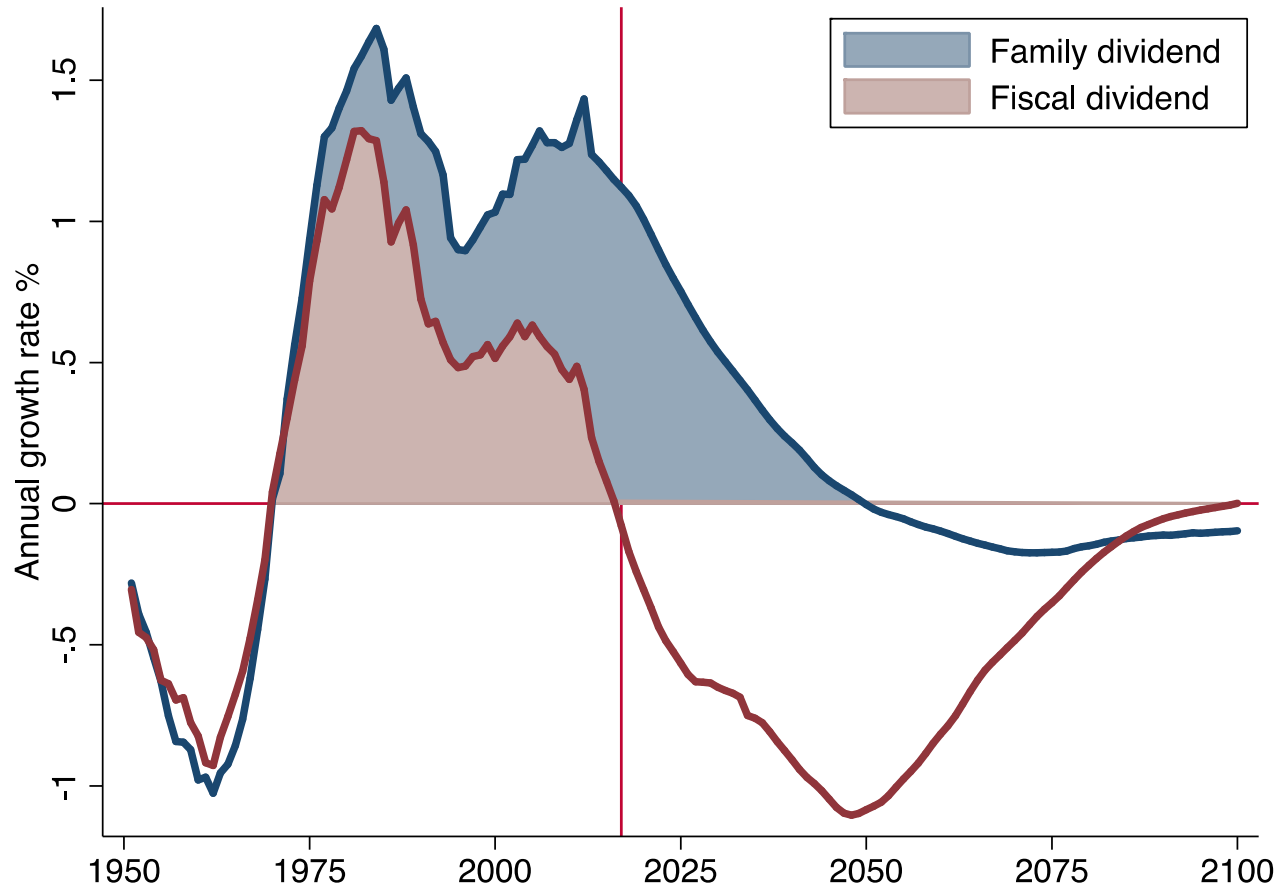
Financing the deficit of the elderly



Implications of the demographic transition in Costa Rica



Private and public dividend



Conclusions

- The lifecycle deficit of the elderly is supported by public transfers
- The elderly are not a burden on their families; on the contrary, they give more than they receive
- Children and young people rely mostly on private transfers
- The period when the lifecycle deficit is positive is short and insufficient to finance half of the LCD
- Assets are an important source of financing for the LCD of the elderly
- The reduction of family transfers between 2004 and 2013 might be explained by a crowding-out effect of public transfers: Less incentive to save?
- On average, the per capita profiles of the LCD of 2004 and 2013 are very similar
- Demographic change puts pressure on the sustainability of public transfer systems, especially healthcare and pensions

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