

**Implicit social security and pension wealth in households' assets: first assessment and consequences for saving and wealth accumulation.**

In France, retirement benefits come primarily from a pay-as-you-go (PAYGo) social security scheme, and from a government employee pension scheme that is tightly integrated with the social security scheme. Taking into account the actuarial value expected benefit entitlements from PAYGo systems, in addition to assets in funded pension plan, financial and housing assets, changes the picture of French households' wealth, the riskiness of their portfolio, and the factors that may explain their saving behaviour. To obtain a longer time series, the author's own estimates are to extend published official estimates.

The obtain evidence on the economic effects of the pay-as-you-go approach, paper next compares France to the United States. The US has a very different old age support system that relies heavily on funded defined benefit pension plans and on explicit holdings of financial assets in defined contribution pension plans and in private accounts. In 2005, for example, implicit pension entitlements on social security accounted for 45% of French households' assets and 20% of US households' assets. One consequence is that a larger explicit financial wealth is available to US households as collateral for borrowing, than it is to French households. That may partly explain the higher indebtedness and the lower saving rates in the United State. A second consequence is that the portfolio of French households is, on average, less risky, though French households are more exposed to the possibility of a decrease in the generosity of the social security scheme that may be necessary to close a future financing gap if the reforms already implemented in 1993 and 2003 are insufficient. Third, the larger share in French households' portfolio of an asset whose change in market value is purely theoretical may explain the difficulty to spot any statistical wealth effect in France, despite the apparent existence of such an effect in the United States.

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