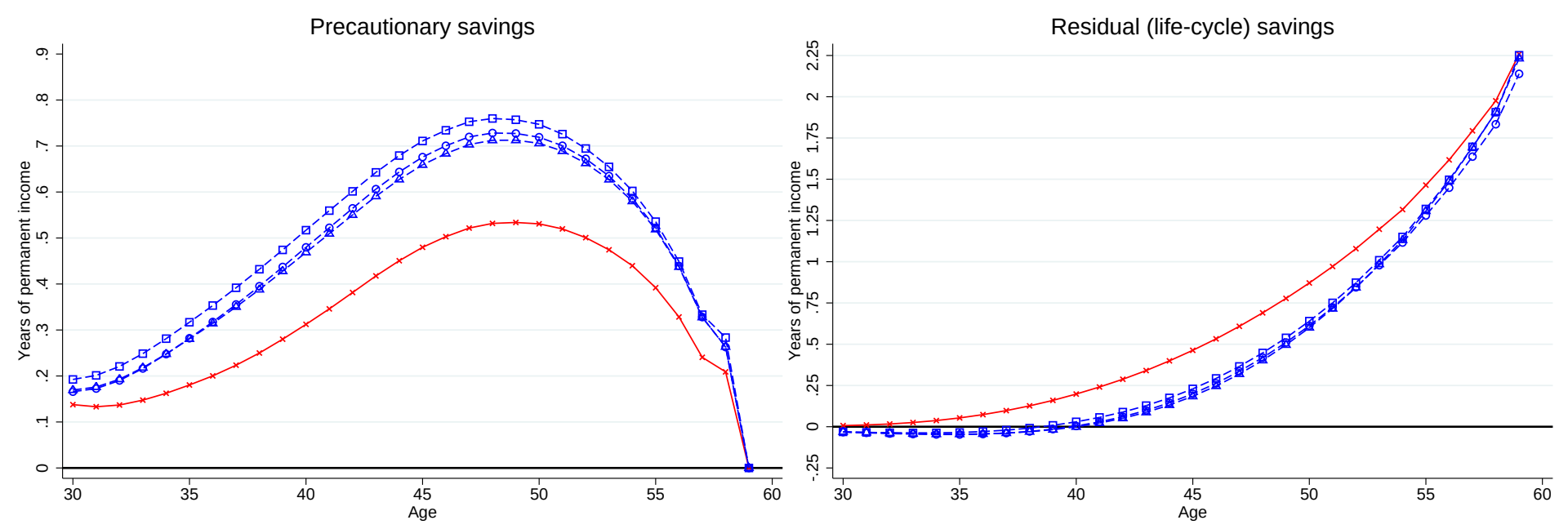
Precautionary savings
Years of permanent income
0
.1
.2
.3
.4
.5
.6
.7
.8
.9
30
35
40
45
50
55
60
Age
Residual (life-cycle) savings
Years of permanent income
-.25
0
.25
.5
.75
1
1.25
1.5
1.75
2
2.25
30
35
40
45
50
55
60
Age
Fitting only LCP:
Risk aversion of 2
Fitting LCP and LRD:
Free risk aversion
Free perceived income risk
Free income risk