

**RETIREMENT AND INVESTMENT DECISIONS:
EVIDENCE FROM THE RECEIPT OF A LIQUIDITY INFUSION**

Working paper - preliminary material

Stefano Castaldo¹

¹Department of Economics and Management Marco Fanno, Università degli Studi di Padova,
Padova, Italy. Contact: stefano.castaldo@unipd.it

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Abstract

I study household investment decisions to shed light on how people approach and plan for retirement. To address this topic I exploit a particular institutional context. In Italy, private and public sector employees receive a lump sum upon retirement. This exogenous shock to liquidity presents an opportunity to see how people re-balance their portfolios for retirement. Studying data from the Survey on Household Income and Wealth (SHIW) in the period 1993-2016, and comparing people marginally above and below the labor pension eligibility requirements, I find that new retirees increase investment in stocks and in housing. This result is determined by the receipt of the liquidity infusion and is robust to testing against a number of alternative explanations, including stock market entry costs and the increase leisure time. These results suggest that new retirees consider a long-term investment horizon.