The population of 60 years and above or the elderly in the Philippines increased from 3.2 million in 1990 to 4.6 million in 2000. This group is growing at a rate of 3.6 percent per annum and estimated to reach 6.6 million in 2010. Data from the Family Income and Expenditure Survey (FIES) shows that the percentage of the elderly who are poor is increasing since 2003. Moreover, the percentage of elderly-headed household belonging to the lowest-income deciles has been on the rise since 1997. This paper looks at the implications of the country’s population dynamics on the economic state of the elderly using an econometric model for savings. Studies have shown that individuals accumulate savings in their working age years to serve as buffer during their retirement years. Accumulation of capital can be used to deal with the life cycle deficit in the older years. The paper shows the link between population dynamics and the elderly savings in the Philippines using household data from the Family Income and Expenditure Survey (FIES). The results of the study show that the saving rate of the elderly is substantially higher compared to the other age groups. However, the saving rate has been on the decline through the years. While the elderly accumulate saving perhaps to serve as buffer during the long retirement years or as bequest motive, its contribution is not substantial to increase the aggregate saving rate. Moreover, the country’s rapid population growth resulting in a high percentage of young dependents creates a negative effect in the aggregate household saving, particularly on the elderly-headed household.

Key Words: Demographic Transition, Young Dependents, Elderly, Saving Rate, Life cycle Model