Marital Disruption and Precautionary Savings

According to precautionary savings theory, households tend to save more when future income is less than certain. Divorce often results in reduced levels of household income and individual consumption comparable to other potential income shocks. Households that will divorce or separate over five years are identified from the Panel Study of Income Dynamics (1994-1999) to determine if these households maintain greater wealth holdings in anticipation of divorce. When spouses earn comparable incomes, divorce-prone households save significantly higher wealth levels ($p < .05$) than households that remain married.

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Introduction

Income uncertainty has been closely associated with building higher wealth stocks (Browning & Crossley, 2001; Carroll, 1992; Carroll & Samwick, 1997) in order to smooth consumption over short-run fluctuations. Most studies of income shocks, however, have tested the effects of occupational hazards, not marital hazards. Yet, the argument could be made that divorce-prone couples (those experiencing marital stress), like households anticipating a fluctuation in income due to job uncertainty, will consider the financial impact of marital change on own marginal utility and will make related adjustments to spending and saving behavior. The purpose of this study is to examine the saving behavior of divorce-prone households to determine if they engage in precautionary saving in order to shelter consumption against an anticipated decline in level of living.

Most research assessing the financial impact of divorce upon households have focused on earnings income as a measure of household resources. These studies typically report substantial negative economic effects on women and positive economic benefits for men (see for example, Holden & Smock, 1991). However, a recent study (McManus & DiPrete, 2001) found the loss of a spouse's income left the majority of men economically disadvantaged as well, and attributed the change to a greater inter-dependence of spousal income within two-earner households, as well as a strengthening of support and transfer mechanisms, such as child support and alimony payments. The dissolution of a marriage then can result in two financially distressed households.

Another important economic resource to a household, however, is its wealth, both financial and equity-based assets, which can be used to bolster a household's consumption level if a decline in earnings income occurs. Research shows consumers build up a "buffer stock" of assets as a precaution against near-term income uncertainty (Carroll, 1992, 1997; Deaton, 1991). In the case of marriage dissolution, however, jointly-owned assets are usually divided in some manner between the couple. Unequal earning and financial decision-making power between partners may reduce willingness to save in anticipation of a redistribution of assets and income in the form of child support and alimony.

Little, if any, research exists that analyzes the saving behavior of divorce-prone households prior to the dissolution of the marriage. While it is clear from the literature that income and wealth are negatively impacted following divorce, it is not clear whether couples are able to accurately assess the probability of divorce during marriage in order to protect against this loss through increased saving. This study tests whether divorce-prone households hold higher levels of precautionary savings than divorce-resistant households, and secondly, it measures the impact of earnings variance between couples and their saving behavior prior to divorce.

Literature Review

In an uncertain world, consumers are prudent (Kimball, 1990) and build up a "buffer stock" of assets to solve short-term intertemporal consumption problems (Carroll, 1992, 1997; Carroll & Samwick, 1997; Deaton, 1991) to keep marginal utility constant. Estimates of the size of precautionary savings in relation to net worth range from two to eight percent to over 50 percent, depending on how risk and wealth are measured empirically (Kennickell & Lusardi, 2003). While the level of precautionary savings remains ambiguous, the literature is in general agreement precautionary saving is an important motivator of household saving behavior.

Much of the empirical work on precautionary savings behavior has focused on income risk and consumer response to expectations of earnings disruption. However, a recent study of precautionary savings by Kennickell & Lusardi (2003) measured several sources of risk, including income risk (income variation), health risk (expectation of future health expenses), business risk (failure rate of like businesses), and liquidity constraints (size of credit card debt to income). The dependent variable was a subjective measure of desired precautionary savings from the 1995 and 1998 Survey of Consumer Finance. The authors found a consistently strong but heterogeneous precautionary savings motive associated with all measures of risk among households. While desired levels of savings were not large (concentrated between $5,000 and $10,000), they did vary by age and type of risk. For example, older households (aged 62+) desired large amounts of precautionary savings as insurance against health expenses and business owners desired more buffer savings as their risks increased with number of businesses and liquidity constraints. The authors concluded the precautionary savings motive is relevant for many risks faced by households beyond the earnings risk generally measured.

Other studies of saving behavior have considered the effects of social insurance programs on household decision-making. Unemployment insurance, for example, provides consumption smoothing benefits (Gruber, 1997) that reduce the need for and size of precautionary savings (Engen & Gruber, 1998). A network of family and friends to help smooth income bumps can diminish the need for savings (Lusardi, 1999).

These studies illustrate the role precautionary savings play within households. If the household must self-insure against future earnings or consumption risk, saving behavior increases. If the household can reasonably expect some form of social insurance benefit, including family and spousal assistance, saving behavior is suppressed. Given these findings of saving behavior under uncertainty, is it reasonable to expect households experiencing marital distress to take precautionary measures to protect themselves against anticipated economic disruption?

The economic disadvantages of divorce upon women, and in particular, women with children, have been well established. The decline in women's level of living has been projected to be around 27 to 30 percent (Duncan & Hoffman, 1985; Peterson, 1996) following a divorce. Apart from per capita income, income-to-needs ratios (which account for household size) also decline substantially, with a median decline of approximately 20 to 30 percent (Holden & Smock, 1991). By contrast, men have often fared better following a divorce. While per capita income might decline modestly following marital dissolution from loss of second income or consequences of alimony and child support (Duncan & Hoffman), their income-to-needs ratio often increases as their household size decreases (Smock, Gupta, & Manning, 1999). However, the rise in women's labor participation and their increased economic contributions to the household, along with stricter enforcement of compulsory child support and alimony transfers for non-custodial fathers, may be leveling the gender effects of marital dissolution. McManus & DiPrete (2001) found only those men who had contributed 80 percent or more to household income routinely gained from divorce, while those who contributed less than 60 percent suffered a decline in level of living, with mixed results for those contributing between 60 and 80 percent. The authors conclude there is a greater inter-dependence within households on both partners' incomes and marital disruption more often results in two financially distressed households than in past years.

Cross sectional net worth statistics by marital status show divorced households have little more than 25 to 28 percent of the median net worth held by married households (Korczyk, 1998; Lupton & Smith, 2000; Lusardi, 1999), but such effects could be the result of spending down assets following a divorce to smooth consumption. A longitudinal study by Lupton & Smith of the effects of marital status transitions on household savings found savings decreased by almost $21,000 over two five-year measurement periods when a household head moved from a married state to an unmarried state within the most recent five years, as compared to a continuously married head whose savings declined by $5,000 over the same period.

Individual characteristics of divorcing couples may also help explain their lower levels of net worth. Studies suggest a selective bias exists for divorce-prone couples. Divorce is more common among households with lower earnings and less education (Duncan & Hoffman, 1985; Holden & Smock, 1991; Smock et al, 1999). Reported levels of median family pre-divorce income range from 40% (Smock et al.) to 79% (Duncan & Hoffman) of non-divorcing households. However, divorcing couples also tend to be younger in age, to have been married fewer years (Heckert, Nowak & Snyder, 1998; Holden & Smock; Martin & Bumpass, 1989; Ono, 1998), and to have lower levels of education (Smock et al; Ono), all of which help explain lower earnings and lower asset accumulation.

There may also be reasons for divorce-prone households to behave differently when faced with marital uncertainty than those households facing employment uncertainty. First, there is a redistribution in household assets and income (alimony and child support) that occurs with divorce. For the higher-wage earner this redistribution can have the equivalent effect of a tax on future income, reducing a precautionary savings motive when current income is taxed at a lower rate (Deaton, 1992).

For the lower- or non-earning spouse, anticipation of child support and maintenance payments can be compared to a form of social insurance, similar to unemployment insurance, reducing income uncertainty and the need for precautionary savings (Deaton, 1992; Engen & Gruber, 1998; Gruber, 1997).

What is the likelihood that both partners within the marriage are anticipating a divorce and engaged in preparatory behavior? It is reasonable to expect one person to be contemplating divorce before it actually happens, and it is not unreasonable to expect both parties have similar thoughts if a household is experiencing marital discord. A study by Huber and Spitze (1980) asked married couples whether they had ever thought about divorce and found 51 percent of the wives of husbands who had thought about divorce, and 38 percent of the husbands whose wives had thought about divorce, had themselves thought about divorce. Another study (Poortman, 2002) reported 55 percent of divorced women "fully expected" their divorce and another 22 percent "rather expected" it.

What is not known is the period of time that elapses from when one or both spouses begin to think about divorce and when it actually happens. In other words, how long is the preparatory period? While a search of the literature doesn't answer this question, there appears to be some evidence that the factors that lead to divorce proneness remain with the couple throughout the duration of the marriage (Heaton, Albrecht, & Martin, 1985). In particular, age at marriage, religion (Brines & Joyner, 1999; Heaton et al; Teachman, 2002), culture (race/ethnicity), premarital birth (Brines & Joyner; Martin & Bumpass, 1989; Teachman) and parental divorce (Teachman) are factors that have been found to be significant determinants of divorce. These are factors that remain within a marriage, regardless of duration. Heaton et al. found that age at marriage, religious affiliation and religious homogamy between couples continued to be significant predictors of marital dissolution, regardless of duration. While Brines & Joyner (1999) found marital disruption dropped significantly after a marriage survived seven years, age at marriage, race, and previous marriage remained significant determinants of divorce even after seven years. Thus, it seems reasonable to conclude that some households remain divorce-prone, regardless of years of marriage, and as such are apt to spend more time envisioning an uncertain future and preparing for its likelihood.

A search of the literature for factors influencing wealth accumulation indicate age, income, education, family composition, marital status, home ownership, and race are all important variables. Age, higher incomes and educational levels are positively correlated with net worth, as is home ownership, being married and white, non-Hispanic (Aizcorbe, Kennickell, & Moore, 2003; Gouskova & Stafford, 2002; Kennickell, Starr-McCluer, & Surette, 2000; Lusardi, 1999). Presence of children produces mixed results. Wolff (1998), using the Survey of Consumer Finance, found households without children held more mean net wealth than their counterparts with children. However, Gist, Wu, & Ford (1999), using the Panel Study of Income Dynamics (PSID) to study baby boomers, found households with children were more successful at accumulating wealth than childless households, but noted some of these accumulated assets would be used to fund children's education. In contrast, Lupton & Smith (2000), also using PSID data, found the presence of children had no effect on household saving behavior.

In summary, empirical research indicates marital dissolution will create income disruption, particularly for women and increasingly so for men. Precautionary savings or other rational expectations savings theory does not provide an unambiguous prediction of savings behavior among households anticipating divorce. On the one hand, future income uncertainty should lead to greater saving behavior and asset accumulation. However, unequal earnings within the household results in a "divorce tax" of future income for one party and transfer payments to the other, both mitigating the incentive to save.

While aggregate data exist indicating who is more likely to save and hold greater wealth reserves, there is little empirical evidence to provide answers as to how households behave when contemplating divorce. It appears these households, on average, have lower earnings and less in accumulated assets, but it is unclear the effects of age on these results.

Objectives and Hypotheses

The primary purpose of this study is to assess whether divorce-prone households prepare for the financial impact of divorce by increasing precautionary savings. Savings behavior over time may be roughly proxied by accumulated wealth. Net financial wealth (financial assets, less debt) is of particular interest because it is a better representation of assets that can be liquidated more easily. However, total net wealth (including equity in main home) may also be a measure of preparatory behavior if divorce-prone households are less likely to borrow against the equity in their homes or are less likely to purchase new homes than divorce-resistant households. Furthermore, as assets are divided in a divorce, the equity in a home is realized and becomes part of the negotiation process.

As discussed earlier, the preparatory period for divorce is unknown. For most couples experiencing marital stress, it is reasonable to expect some period of reconciling differences or allowing the marriage to disintegrate before the actual divorce or separation. This study will use a one- to five-year time frame to assess preparation for

divorce. That is, net wealth will be measured at t_0 for couples that become divorced in any period t_1 through t_5 and will be compared to net wealth at t_0 for non-divorcing households.

Precautionary savings theory predicts a positive relationship between asset accumulation and expected income uncertainty after controlling for such effects as age, education, and earnings. However, the expectation of a tax on future earnings or the anticipation of transfer payments reduces the savings motive. Thus, the direction of the effect of divorce upon net worth is unknown. The first hypothesis is:

H_1: The net wealth of divorce-prone households is different than the net wealth of non-divorcing households, controlling for age, education, and earnings.

If the results show a significantly positive difference for households that divorce versus those that do not, a conclusion can be drawn that a precautionary savings motive is influencing behavior. If the results show a significantly negative difference for divorcing households, it can be concluded that other factors are affecting saving behavior.

It is possible to remove the effects of income variance upon asset redistribution by analyzing households with comparable earnings between spouses. If there is little variation between the income of husbands and wives, the effects of a "divorce tax" and income transfer (alimony) should disappear. In such cases divorce-prone households would prepare for expected income disruption through increased savings. (Even if each party is contributing 50% to the household, it costs more to maintain two separate households and thus, level of living would decline.) The second hypothesis, then, is:

H_2: For households with husbands and wives earning comparable wages, the net wealth of divorcing households is greater than the net wealth of non-divorcing households.

Methods & Data Analysis

Data

The Panel Study of Income Dynamics (PSID) for years 1994 to 1999 provides the data for this analysis. The PSID, administered by the Survey Research Center for the University of Michigan, is a longitudinal household survey, conducted annually from 1968 through 1997, and since then, biannually. It is designed to examine socioeconomic and demographic characteristics and changes in families over time. The Panel Study in 1994 consisted of 10,765 family records. From this a subsample was selected of married couples with heads (the PSID defines *head* of a household as the husband, unless the husband is severely disabled or not present) aged 20-55 in 1994. This age group was selected to exclude teen marriages, of which almost one third results in divorce (Martin & Bumpass, 1989), and to reduce the possibility that changes in wealth are a result of retirement.

All measures of dependent and independent variables, except for marital status, are from 1994 observations. Marital status in years 1995 through 1999 is used to identify divorce-prone households (those divorcing or separating during the five year period) and divorce-resistant households (those remaining married throughout the five year period).

To reduce the effects of extreme values, wealth measures were limited to values less than $1 million and greater than -$150,000. In addition, income to needs ratios (described later) were limited to values of .10 to 13. The final sample, then, consisted of 3,062 married heads (all males) in 1994, of which 217 divorced or separated during years 1995 through 1999. Separated households were included under the assumption these households have experienced similar marital discord as divorced households and either have not legally finalized the divorce or may still be attempting reconciliation, but in either case are engaged in preparatory behavior like their divorced cohorts (see Smock et al, 1999).

Measures

Dependent Variables (DVs). Net wealth in 1994 is the dependent variable. Two measurements of net wealth will be used: net financial wealth (financial assets, less debt) and net total wealth (financial assets plus owner-occupied housing, less debt). Gifts of inheritance in the last five years are subtracted from net wealth measures because these assets do not represent saving behavior of the household. Cases are limited to wealth values between -$150,000 and $1 million.

Independent Variables (IVs). Age of head is categorized in five year increments: 20-24, 25-29, 30-34, 35-39, 40-44, 45-49, 50-55. Dummy variables were created for each category in order to look at wealth effects within age groups.

Education of head consists of five categories: less than HS grad, HS grad, some college, college degree, college plus. As with age, dummy variables were created for each category.

Home ownership is a dichotomous variable: 1 = own, 0 = other.

Income to needs is a ratio of family income as the numerator and a "needs" standard as the denominator. The needs standard used here is the 1993 annual census needs standard, included as a generated variable in the PSID data, which takes into account family size, number of persons under age 18, and age of the head. This ratio is used as a proxy for both earnings and family composition and was limited to values of .10 to 13 to reduce the impact of extreme values. Dummy variables were set up for the following categories: .10 to 1; >1 to 3; >3 to 5; >5 to 10; >10 to 13.

Marital status is a dichotomous variable: 1 = divorced or separated, 0 = other. Total number of divorced couples over the five year period (1995-1999) was used rather than by individual years because of the few number of divorced/separated cases each year when using a sub-sample to test the second hypothesis (described later).

Race is a dichotomous variable: 1 = White, non-Hispanic, 0 = other.

Health Status of head and wife is included as two separate dichotomous variables to measure effects of health on wealth: 1 = poor health, 0 = good health.

Family business is included as a dichotomous variable to measure effects of business ownership on wealth: 1 = own family business, 0 = do not own a family business.

Procedure

Ordinary least squares multiple regression analysis was used to test the relationship between the dependent variables (net financial wealth and net total wealth) and the independent variables.

To test the second hypothesis, the head's proportion of business income plus earnings was used as the numerator with husband's and wife's taxable income less farm income (farm income was subtracted because it is not divided between husband and wife) as the denominator to derive a ratio of head's contribution to the couple's household income. Cases were selected where the head contributed between 40 to 60 percent of this revised measure of household income, with the spouse providing the difference. This resulted in 835 cases, of which 62 were either divorced or separated between 1995 and 1999.

Results

Descriptive statistics for the total sample (N = 3062) are shown in the first four columns of Table 1. The mean and median age of the group is 38, and on average, these heads of households have slightly more than a high school education, while the median is a high school degree. Almost three out of four couples own their homes. The vast majority (92 percent) of heads and spouses reported good health. Only 12 percent of the households reported a family business of some kind. Seventy two percent of the sample is White, non-Hispanic, and one-fourth is Black, non-Hispanic. The majority of couples (93 percent) remained married during the five year period, but it is the seven percent who divorced or separated that are of interest in this analysis. An income-to-needs ratio below one indicates the household falls below the poverty threshold used by the U.S. Census' Current Population Reports. Less than five percent of the households have an income-to-needs ratio of one or less. The mean ratio is 4.1 and the median ratio is 3.7. The mean financial wealth of the sample (after deducting any inheritance gifts in the last five years) is $55,000, while the median is $17,000. Mean total wealth (includes home equity, but less inheritance gifts) is $90,000 and the median is $42,000. Sixteen percent of the sample, or 488 households, have negative financial wealth, but these numbers drop to 332 households and 11 percent of the sample when including home equity.

The last four columns of Table 1 contain the descriptive statistics for the sub-sample of heads contributing 40 to 60 percent of household income. This group tends to be slightly better off income-wise with a mean income-to-needs ratio of 4.6 and median of 4.2, but this should not be surprising given the fact that both head and spouse are working and contributing to household income. This group also has a higher ratio of Black households, almost 31 percent, compared to 25 percent for the full sample.

Table 1

Descriptive Statistics for Sample (N = 3062)					Descriptive Statistics for Sub-Sample (N = 835)			
Variables	Freq.	%	Mean	Median	Freq.	%	Mean	Median
Age of Head - All			38.4	38.0			37.8	38.0
20 - 24	130	4.2			41	4.9		
25 - 29	321	10.5			110	13.2		
30 - 34	565	18.5			157	18.8		
35 - 39	675	22.0			169	20.2		
40 - 44	589	19.2			156	18.7		
45 - 49	498	16.3			138	16.5		
50 - 55	284	9.3			64	7.7		
Head Education - All			13.2	12.0			13.1	12.0
Less than HS grad	471	15.4			122	14.6		
HS grad	1084	35.4			308	36.9		
Some college	764	25.0			223	26.7		
College degree	479	15.6			126	15.1		
College plus	264	8.6			56	6.7		
Home Ownership								
Own	2222	72.6			606	72.6		
Rent or other	840	27.4			229	27.4		
Head Health Status								
Good	2805	91.6			788	94.4		
Fair to Poor	257	8.4			47	5.6		
Wife Health Status								
Good	2821	92.1			793	95.0		
Fair to Poor	241	7.9			42	5.0		
Family Business								
Yes	360	11.8			86	10.3		
No	2702	88.2			749	89.7		
Marital Status								
Divorced/Separated	217	7.1			62	7.4		
Married/Other	2845	92.9			773	92.6		
Race								
White - non-Hispanic	2198	71.8			551	66.0		
Black - non-Hispanic	759	24.8			255	30.5		
Other	105	3.4			29	3.5		

Table 1 (Continued)
Descriptive Statistics for Sample (N = 3062)   Descriptive Statistics for Sub-Sample (N = 835)

Variables	Freq.	%	Mean	Median	Freq.	%	Mean	Median
Income-to-Need - All			4.1	3.7			4.6	4.2
0 to 1	145	4.7			10	1.2		
>1 to 3	977	31.9			197	23.6		
>3 to 5	1010	33.0			313	37.5		
>5 to 10	852	27.8			296	35.4		
>10	78	2.5			19	2.3		
Fin. Wealth less Inheritance - All			55,486	17,000			52,789	18,250
<0 to 0	488	15.9			122	14.6		
1 to 10,000	763	24.9			201	24.1		
10,001 to 25,000	540	17.6			154	18.4		
25,001 to 50,000	419	13.7			137	16.4		
50,001 to 100,000	361	11.8			85	10.2		
>100,000	491	16.0			136	16.3		
Tot. Wealth less Inheritance - All			90,270	42,188			84,271	40,550
<0 to 0	332	10.8			78	9.3		
1 to 10,000	443	14.5			120	14.4		
10,001 to 25,000	420	13.7			126	15.1		
25,001 to 50,000	463	15.1			135	16.2		
50,001 to 100,000	529	17.3			146	17.5		
>100,000	875	28.6			230	27.5		

Table 2a compares the mean values for divorced/separated households for the full sample versus married/other households. Divorced/separated households tend to be younger, have lower income-to-needs ratios, less education, and less wealth than their married counterparts. These results are also similar to prior research findings. Table 2b is a similar comparison of means for the smaller subsample. Among households where spouses contribute equitably to family income, those that end up divorced or separated are still younger and have lower incomes, but there is no significant differences in education and wealth (although average wealth for divorced households is greater than for those continuously married).

Table 2a
Comparison of Sample Means of Divorced/Separated (N = 217) and Married/Other (N = 2845)

	Div/Sep Mean	Mar/Oth Mean	F Statistic[a]	
Age of Hd	35.378	38.396	33.631	***
Inc to Needs	3.449	4.135	19.340	***
Educ. Hd	12.841	13.184	5.326	**
FinWlth - Inherit	40940.621	55485.686	4.194	**
TotWlth - Inherit	65670.438	90270.187	7.709	**

[a]significant at .05 level**
significant at .001 level***

Table 2b
Comparison of Sub-Sample Means of Divorced/Separated (N = 62) and Married/Other (N = 773)

	Div/Sep Mean	Mar/Oth Mean	F Statistic[a]	
Age of Hd	34.645	38.043	10.058	**
Inc to Needs	3.784	4.692	9.656	**
Educ. Hd	12.807	13.177	1.745	
FinWlth - Inherit	61685.161	51372.009	0.662	
TotWlth - Inherit	84147.452	83653.327	0.001	

[a]significant at .05 level**
significant at .001 level***

The results of the multivariate regression analyses are shown in Tables 3 and 4.

To test the first hypothesis that divorce-prone households will have greater net wealth than non-divorcing households, the total sample of 3,062 married couples is used with the independent variables as predictors of financial and total wealth. Table 4 displays the results for financial wealth in the first two columns and total wealth in the last two columns. The R^2 values indicate 18 percent and 27.6 percent, respectively, of the variance in the criterion variables are explained by the explanatory variables. The direction of the signs of the selected variables are generally as expected, with wealth increasing with age, education, income, home ownership, and with being White, holding all other variables constant. Owning a family business also significantly increases wealth holdings, but wealth decreases with poor health, particularly in the case of the head. Higher levels of precautionary savings among business owners are consistent with the findings of Kennickell & Lusardi (2003). While their study also found a positive correlation among savings and health concerns, this was associated with an older sample group (aged 62+). The married/divorced variable is not significant and indicates no difference in the saving behavior of divorce-prone/divorce-resistant households. Noteworthy, however, is the fact that the sign is positive, indicating that after controlling for all other variables, divorce-prone households tend to have higher levels of net worth than their divorce-resistant counterparts (although statistically not significant) which is contrary to divorce literature.

Hypothesis two mitigates the income variance effects between spouses by selecting only those households where the head contributes 40-60% of household taxable income, with the other spouse contributing the difference. Table 4 shows the results of these regression analyses with R^2 values of .186 and .295.

The married/divorced variable is positively significant ($p < .05$), indicating when spouses contribute to household income on a more equal basis, those households anticipating a future divorce are engaged in some form of increased saving behavior over their divorce-resistant counterparts. It is noteworthy that education for this subsample has almost the opposite effect on wealth than for the sample as a whole and what is generally found in wealth studies. A college degree results in significantly lower wealth than a high school diploma. This finding may simply be a result of the characteristics of the subsample, or it may reflect special characteristics of households where couples both work and contribute equitably to household income.

In an effort to determine the form of precautionary saving behavior used by divorce-prone households, total wealth (which includes net value of owner-occupied housing) less financial wealth (all other wealth) was calculated and used as the dependent variable in a regression analysis with the independent variables. The results (not shown here) indicate no significant difference between divorced or married households. Thus, the difference in saving behavior is not a result of any differences in couples' decisions to purchase new homes or borrow against the equity in their homes.

The measures of financial wealth used in the PSID survey consist of net values of real estate other than main home, vehicles or assets on wheels, farm or business assets, the values of investments, checking and savings accounts, less other debts. Separate regression analyses were run using each individual measure of wealth as the dependent variable with the independent variables as predictors to test for significance (results not shown here). Only the values of debt and equity in vehicles were significant, with divorce-prone households holding slightly higher debt levels ($p < .10$) and greater equity in their vehicles ($p < .05$). Divorce-prone households then, where spouses are contributing equitably to household income, are not using any specific method of saving for an anticipated decline in level of living, other than perhaps postponing the purchase of some durables like vehicles, which is similar behavior to households anticipating spells of unemployment (Browning & Crossley, 2001). In sum, however, these households are saving more than their married cohorts.

To assess the sensitivity of variance in spousal income to increased saving behavior among divorce-prone households, other contribution levels were tested for significance as a predictor of wealth. Contribution levels of 35-65 percent by head to joint taxable income produced financial and total wealth results slightly weaker than a 40-60 percent level, but still significant at $p < .05$. At a 30-70 percent level, the wealth level of divorce-prone households was no longer significantly different from divorce-resistant households. Wider variance levels continued to produce progressively weaker wealth results, but the sign of the coefficient remained positive, until the head contributed 80-100 percent of taxable income. In these cases, there was a negative (but insignificant) relationship between wealth and being divorce-prone.

Table 3
Multiple Regression Results (N = 3062; 217 Div/Sep)

	DV: Financial Wealth - Inheritance			DV: Total Wealth - Inheritance		
Variable	Parameter Estimate[a]		Standardized Estimate	Parameter Estimate[a]		Standardized Estimate
(Constant)	11692.209			12745.856		
Age 20-24	-30007.483	**	-0.056	-47683.486	***	-0.071
Age 25-29	-27669.950	***	-0.078	-45787.345	***	-0.103
Age 30-34	-19907.032	***	-0.071	-36883.592	***	-0.106
Age 35-39	-8221.230		-0.031	-20158.968	**	-0.062
Age 45-49	14205.578	**	0.048	25369.842	***	0.069
Age 50-55	31425.806	***	0.084	42144.393	***	0.090
Own/Rent	13844.804	**	0.057	48431.056	***	0.159
Head Health (1=poor)	-22613.634	**	-0.058	-29458.229	***	-0.060
Wife Health (1=poor)	-12421.159	*	-0.031	-13771.979		-0.027
Fam. Bus. (1=yes)	36958.144	***	0.110	47617.927	***	0.113
Inc/Need .10 to 1	9486.449		0.019	14275.354		0.022
Inc/Need >3 to 5	14576.231	***	0.063	16780.019	**	0.058
Inc/Need >5 to 10	61839.730	***	0.255	78477.698	***	0.259
Inc/Need >10 to 13	105287.730	***	0.153	125137.160	***	0.145
Hd Ed < HS	-8112.137		-0.027	-14235.903	**	-0.038
Hd Ed - Some College	5986.919		0.024	8073.000		0.026
Hd Ed - College	8221.931		0.028	14036.461	**	0.038
Hd Ed - College +	10809.154		0.028	25162.786	**	0.052
Race (White,NHP = 1)	12457.971	**	0.052	20340.202	***	0.068
Mar/Div (Div. = 1)	2249.366		0.005	4952.436		0.009
	$R^2 = .181$		F Statistic = 33.526 ***	$R^2 = .276$		F Statistic = 57.866 ***

[a]significant at .10 level*
signficant at .05 level**
signficant at .001 level***

Excluded variables:
   Age 40-44
   Inc/Need >1 to 3
   Hd Ed = HS

Table 4
Multiple Regression Results-40-60% head contribution (N = 835; 62 Div/Sep)

	DV: Financial Wealth - Inheritance			DV: Total Wealth - Ineritance		
Variable	Parameter Estimate[a]		Standardized Estimate	Parameter Estimate[a]		Standardized Estimate
(Constant)	56255.336			70416.134		
Age 20-24	-27987.225	*	-0.063	-31079.133	*	-0.055
Age 25-29	-21535.901	*	-0.076	-24492.892	*	-0.068
Age 30-34	-13431.024		-0.055	-17305.639		-0.056
Age 40-44	8276.807		0.034	27835.755	**	0.089
Age 45-49	17839.006	*	0.069	44226.483	***	0.135
Age 50-55	48559.322	***	0.135	69295.325	***	0.152
Own/Rent	14458.039	*	0.067	42465.210	***	0.156
Head Health (1=poor)	-34013.089	**	-0.082	-45502.732	**	-0.086
Wife Health (1=poor)	-11577.692		-0.026	-17635.763		-0.032
Fam. Bus. (1=yes)	43258.776	***	0.137	55458.201	***	0.139
Inc/Need .10 to 1	-20900.358		-0.024	-40782.443		-0.036
Inc/Need >1 to 3	-48658.789	***	0.215	-71152.938	***	-0.248
Inc/Need >3 to 5	-35820.328	***	-0.181	-56357.747	***	-0.224
Inc/Need >10 to 13	50042.330	**	0.078	67404.755	**	0.083
Hd Ed < HS	-9091.228		-0.033	-14607.778		-0.042
Hd Ed - Some College	2142.322		0.010	156.947		0.001
Hd Ed - College	-18530.970	*	-0.069	-26930.349	**	-0.079
Hd Ed - College +	-3394.881		-0.009	-441.754		-0.001
Race (White,NHP = 1)	11529.240	*	0.052	16643.529	**	0.065
Mar/Div (Div. = 1)	28851.028	**	0.079	32957.746	**	0.071

		F Statistic =			F Statistic =
	$R^2 = .186$	9.279 ***		$R^2 = .295$	17.027 ***

[a]significant at .10 level*
signficant at .05 level**
signficant at .001 level***

Excluded variables:
   Age 35-39
   Inc/Need >5 to 10
   Hd Ed = HS

Conclusion

This study set out to test the application of precautionary savings behavior within households anticipating divorce in the near future and whether, like households anticipating income disruption from job loss, will build up buffer stocks. The results suggest those divorce-prone households where spouses contribute on an equitable basis to household income are engaged in some form of saving behavior to increase wealth stocks. The contribution level used in this study was a 40-60 percent split between spouses of their joint taxable income less any farm income, although a split of 35-65 percent continued to result in significantly greater wealth levels, as well.

The regression results of the total sample indicated no significant difference in saving behavior between divorce-prone and divorce-resistant households, although there was a positive correlation between divorce and wealth, contrary to other research findings. These results point out the need to separate the effects of income

uncertainty that comes with divorce from the effects of an anticipation of a divorce tax and transfer payments. That is, households with greater variance in spousal incomes may expect redistribution of assets and income to occur as a result of divorce, discouraging any incentive to save.

Households anticipating divorce and with equitable spousal income contributions use a combination of saving devices and methods, including postponing purchases of durables. But they show no different behavior than non-divorcing households in home purchases or the use of home equity.

These findings should be regarded as preliminary and interpreted cautiously because of the need to use divorced/separated cases that span a five-year time period from when household wealth and income variances were measured. Also, the cause and effect relationship remains ambiguous. That is, are households which are experiencing marital distress and anticipating a divorce actively engaged in asset building, or are households with greater assets more apt to divorce, particularly when both spouses have equitable incomes, because the financial risks of divorce for each are diminished? It is also not known what period of time may elapse from when couples experience distress and begin anticipating divorce, or what preparatory period households may have to financially prepare for a decline in income level. This study used a measure of net wealth as a proxy for saving behavior for households divorcing or separating one to five years in the future, but further analysis is needed concerning preparatory period.

The results from this study, however, add a totally new dimension to the literature on precautionary savings, suggesting that marital risk can produce the motive to build up wealth stocks.

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