An Assessment of the Wealth Holdings of Recent Widows

Data from the Survey of Income and Program Participation are used to investigate the amount and composition of wealth held by four different groups: continuously married women, women who would soon be widowed, recent widows, and long-standing widows. The analyses reveal that about-to-be widowed women have fewer assets than intact couples. There is also a further decline in wealth holdings immediately following the husbands' deaths. These findings parallel what we know about income changes that surround the death of a spouse.

Cathleen D. Zick, University of Utah[1]
Karen Holden, University of Wisconsin[2]

Introduction

It is generally agreed that the incomes of widowed women have lagged behind their married counterparts over the latter half of this century. A recent study found that in the early 1990s, recently widowed women had needs-adjusted incomes that averaged only 68 percent of similarly aged married couples (Holden and Zick, 1997). The decline in needs-adjusted income that is typically experienced by widows is somewhat puzzling in light of the rising labor force participation rates of married women and the expansion of the insurance and pension industries during the latter part of this century. Occasionally, it has been suggested that widows' lower incomes may be partially compensated for by higher wealth holdings. Yet, very little is known about the wealth holdings of widows.

The death of a spouse is an event that may precipitate a large decline in wealth because the surviving spouse may need to liquidate assets to cover health care costs prior to the death and/or burial costs. In addition, if the individual who died willed assets to anyone other than his/her spouse, this too could drain away some wealth. Life insurance policies may partially or fully offset this decline in assets if the insurance beneficiary is the spouse. The magnitude of the decline in wealth that is sparked by the death in the 1990s is not well known.

In this paper, we use data from the 1990, 1991, and 1992 Survey of Income and Program Participation (SIPP) panels to learn more about the amount of wealth held by four different groups: continuously married women, women who would soon be widowed, recent widows, and long-standing widows. These comparisons will provide insights regarding the magnitude of any changes in wealth that occur when a husband dies and the potential for using this wealth to augment the income of newly widowed women who might otherwise risk falling into poverty.

The Literature

Insights about the wealth holdings of widows can be gleaned by reviewing the literature that focuses on comparing the wealth holdings of elderly and non-elderly households since most widows are over the age of 60. Descriptive investigations of asset holdings reveal that there is considerable dispersion of wealth within the elderly population (Hurd, 1990; Smith, 1997a, 1997b). Multivariate analyses suggest that this variation in wealth holdings may be partially attributable to differences in income (Smith, 1997a, 1995; Wolff, 1992), education (Smith, 1997a, 1995), race/ethnicity (Smith, 1997a, 1995), health status (Smith, 1997a, 1995) and marital status (Hurd and Wise, 1989; Smith, 1995).

Investigations that examine the role of widowhood and wealth have been limited to three studies to date. Hurd and Wise (1989) utilize data from the 1969-1979 Retirement History Survey of heads of household who were born between 1905 and 1911, to examine pre- and post-widowhood wealth holdings. Their analyses reveal that the typical woman who moved from being married to widowed between the 1975 and 1977 interviews experienced about a 30 percent decline in household wealth during that two-year period. Yet, they also note evidence of long-standing differences in wealth holdings suggesting that the drop in wealth is not generally attributable to rising medical expenses immediately prior to the death. Nor did they find any evidence that would support the hypothesis that the wealth differences are a function of bequests to children.

Descriptive work by Radner (1993) uses data from respondents age 65 and older in the 1984 Survey of Income and Program Participation (SIPP) to estimate differences in wealth holdings among the oldest old by gender and marital status. He finds that older widowed women, on average, have moderately lower net worth, fewer financial assets, and a larger percentage of their assets tied up in housing than do similarly aged men or similarly aged "other women" (i.e., married women, women living with others).

Finally, Smith (1995) uses data from the 1992 baseline interviews of men and women aged 51 to 61 in the Health and Retirement Survey to assess the correlates of wealth in a multivariate context. In his analysis, he finds that widows continue to have significantly less wealth than their married or divorced counterparts even once one controls for current income, health status, education, employment status, region of residence, financial time horizon, subjective life expectancy, and intentions regarding bequests.

At this point, it is clear that the wealth holdings of widows are typically lower than those of similarly aged married couples. Estimates of the magnitude of the difference, however, appear to vary depending on the data used and the analysis approach. All three of the analyses make use of samples that contain age restrictions that may further affect the results. To gain a better understanding of how the death of a spouse affects the wealth holdings of widows, we will use data on a sample of widows that span a wide age range and compare their wealth holdings to similarly aged married couples.

The Data

The data used in the current analyses come from the 1990, 1991, and 1992 SIPP panels. We elect to use SIPP because it is the only data set that will allow us to examine wealth using a sample of widows who are representative of the larger population of women who are widowed at various ages. In addition, SIPP has the advantage of providing detailed information on the components of wealth. We use all three panels to increase the number of widows that are included in our analyses.

Each SIPP panel is a nationally representative sample of households whose members are interviewed at four-month intervals over a 32-month period. At each interview, data are collected on household composition and the incomes of each household member over the four preceding months. In addition, questions from special topical modules, including household wealth and its composition, are asked in each interview.

Although income data (including income from assets) are gathered for each month, wealth values are asked only once. The wealth module is part of the wave 4 interview in the 1990 and 1992 panels and the wave 7 interview in the 1991 panel. This creates a challenge in terms of identifying newly widowed individuals across the panels relative to when the wealth questions are asked. We deal with this by classifying widows into three groups: (1) women who enter the SIPP panel as widows and who report in the marital history module that their spouse died at some point in the preceding three years (i.e., the Wave 1 widows), (2) women who are married when they enter the SIPP panel but whose husbands die prior to the interviewing wave where the wealth questions are asked (i.e., the recently widowed), and (3) women who are married when they enter the SIPP panel and who are still married when the wealth questions are asked, but who report that their spouse has died at some subsequent interview (i.e., the about-to-be widowed). As a point of comparison in our analyses, we also include a random one-quarter sample of similarly aged women who are married when they enter the SIPP panel and who remain married throughout the 32-month period (i.e., the always married). The only further restriction we place on the respondents in these four groups is that they be age 40 or older at the time that they enter SIPP. With these restrictions in place, the analyses that follow contain 784 wave 1 widows, 293 about-to-be widowed women, 219 recently widowed women, and 3,398 continuously married women.

A second challenge of using SIPP is that the three SIPP panels overlap one another. As a consequence, we cannot apply the specific panel weights. However, because the married couples in our sample are somewhat younger than those who are widowed, we develop a weight for the purposes of this study that is applied to the continuously married women to make their age distribution equal to that of the (older) widowed groups. Thus, any observed differences in wealth are net of differences that might be attributable to age discrepancies across the groups.

A final challenge of using SIPP arises because there is a relatively high percentage of missing data on wealth in SIPP. The high percentage of missing data on wealth questions is not unique to SIPP as respondents in most surveys are either reluctant to answer or do not know the answer to questions about the dollar value of their wealth holdings.

Despite the drawbacks of the wealth measures contained in SIPP, we elect to utilize it in the current analysis for three reasons. First, it is the only panel that can provide information on wealth (and its components) for recent widows of all ages. Second, SIPP does employ a cross-sectional imputation procedure to deal with missing data on total wealth and its components and thus widows who initially had missing wealth data are included in the current analyses. Finally, recent research on the general quality of SIPP wealth data concludes that, despite its limitations, SIPP provides high quality measures of wealth and its components for the overall population and various subgroups (McNeil and Lamas, 1989, Curtin, Juster, and Morgan, 1989).

The Results

Table 1 presents basic socio-demographic information on the women who are included in the current analyses. The distribution across widowhood groups demonstrates the infrequency of events observed during these longitudinal panels. Eleven percent of the sample are women who are married at the first interview and become widowed during the panel. Slightly over half (6.2 percent of the sample) are widowed by the time of the wealth module. These and the seventeen percent of the sample who were widowed within three years prior to the first interview have wealth measured as widows -- but fairly soon after their husbands' deaths. The remaining eventual widows are observed while still married, as, of course, are the always married. For the about-to-be widowed sample, whether we observe their wealth when widowed or married is a happenstance of the timing of the wealth module, which is not related to other characteristics of the women. The typical woman included here is white, over age 60, has a high school education, and is not employed. (Age, presence or absence of children, and employment status are all measured at the time of the asset module.)

Table 1
Weighted Descriptive Statistics

Variable	**Percentage**
Widowhood Groups	17.1 - Wave 1 Widows 6.2 - Recently widowed 4.9 - About-to-be Widowed 71.8 - Continuously married
Woman's Race	13.1 - Non-white 86.7 – White
Woman's Age	19.4 - ≤60 80.6 - >60
Woman's Education	35.8 - < 12 Years of Schooling 38.8 - 12 Years of Schooling 25.4 - >12 Years of Schooling
Kids <18 in the Home	7.0 – Yes 93.0 – No
Woman Employed	19.5 – Yes 80.5 - No

Table 2 shows the average wealth holdings and the extreme diversity of the distribution of wealth holdings for each of the four groups of women. Four wealth measures are presented: total wealth measures all financial and property wealth holdings for the individual or couple; the next two measures subtract the debt that diminishes the financial security provided by wealth, and the final measure captures liquid (i.e., financial) wealth holdings.

The top ten percent of wave 1 widows have almost 400 times more total wealth lowest than the lowest decile of wave 1 widows. The range for newly widowed women and those who are about to be widowed is not as great. And, it is clearly the smallest for the continuously married, with the top ten percent having only 24 times more wealth than the lowest ten percent. Wave 1 widows and the recently widowed have the lowest median wealth reports, with approximately $40,000 less and $44,000 less, respectively, than the median wealth holdings of the continuously married. Thus, women who have been recently widowed have both lower wealth holdings on average and greater within group dispersion of wealth than the continuously married. Multivariate analyses (not shown here because of page constraints) that control for possible confounding factors (i.e., age, education, race, employment status, presence of minor children, and whether or not one or more components of wealth was imputed) re-affirm these group differences.

Table 2
<u>Patterns of Wealth Holdings by Group (in 1996 dollars)</u>

		Total Wealth	Total Wealth - Unsecured Debt	Total Wealth - Unsecured and Secured Debt	Financial Wealth
Wave 1 Widows	Mean	123,052	120,935	108,199	44,812
	Standard Deviation	152,998	155,583	155,278	94,832
	10%ile	804	325	0	0
	50%ile	76,181	75,620	64,313	7,739
	90%ile	299,482	298,632	263,526	111,934
Recent Widows	Mean	149,063	147,883	138,040	58,497
	Standard Deviation	176,552	176,668	176,084	115,149
	10%ile	4,779	4,779	58	0
	50%ile	80,883	77,409	70,199	10,732
	90%ile	307,324	297,737	287,382	123,487
About-to-Be Widows	Mean	165,985	164,462	156,294	73,442
	Standard Deviation	232,550	232,668	229,439	175,017
	10%ile	2,152	566	0	0
	50%ile	107,389	102,537	95,003	13,597
	90%ile	345,442	344,762	341,427	146,000
Continuously Married	Mean	200,390	198,368	178,484	88,255
	Standard Deviation	229,507	229,758	222,496	170,432
	10%ile	16,977	11,988	-19,664	113
	50%ile	120,569	117,022	85,576	21,464
	90%ile	412,823	407,149	360,202	183,942

The figures in Table 2 suggest that there is not necessarily a discrete change in assets that can be attributed to the widowhood event <u>per se</u>. Rather, wealth appears to be lower for widows than for the continuously married even prior to the death, and the decline continues for some time after the death. This finding is consistent with the work of Hurd and Wise (1989) who also observed relatively long-standing differences in wealth holdings between continuously married and widowed groups in the RHS data.

Our final table estimates the effect on economic well-being if the annuity value of financial wealth holdings are included in income. We estimate for each couple and widow what income would be obtained if financial assets alone were annuitized – that is, paid out over the expected lifetimes of the widow. Table 3 shows the mean annuity value using a 5 percent interest rate computed using the average age-specific life expectancy for a woman in 1990 (Bell, Wade, and Goss, 1992). The addition of annuity income raises the income-to-needs on average. At the extreme end of the distribution, however, it does little to alter the poverty rates of widows. Among wave 1 widows, for example, poverty (defined by income-to-needs less than 1.25) would fall from the 25.7 percent estimated for the module month to 23.9 percent if financial assets were annuitized. But the poverty rates would also fall for the continuously married couples. Indeed, annuitized wealth makes very little difference to the relative poverty rates across these groups. Compared to the continuously married couples, they remain about three times higher for wave 1 widows and recently widowed women and almost twice as high for the about-to-be widowed group.

Table 3
Projected Means for Monthly Income and Income/Needs Augmented by Asset Annuity Payments and Percent of Households in Poverty (Standard Deviations in Parentheses)

	Wave 1 Widows	Recently Widowed	About-to-be Widowed	Continuously Married
Income	2,046 (1,919)	1,849 (1,596)	2,912 (4,356)	3,323 (2,559)
Income + Financial Asset Annuity Payment	2,442 (2,493)	2,324 (2,238)	3,597 (5,112)	4,038 (3,317)
Income/Needs	2.67 (2.30)	2.64 (2.12)	3.41 (5.40)	3.82 (2.82)
(Income + Financial Asset Annuity Payment)/Needs	3.24 (3.23)	3.37 (3.20)	4.29 (6.40)	4.71 (3.89)
% w/ Income/Needs < 1.25	25.7%	31.6%	14.5%	8.0%
% w/ (Income + Financial Asset Annuity Payment)/Needs < 1.25	23.9%	26.7%	12.5%	6.8%

Conclusions

We draw three main conclusions from this descriptive examination of asset holdings among widows. First, as is the case for income, couples who are about to experience widowhood have somewhat lower wealth holdings than do couples who remain intact. We draw this conclusion from the difference in wealth between continuously married couples (e.g., with median total wealth of $120,569) and the about-to-be-widowed group (with median total wealth of $107,389). Second, there appears to be a further decline in wealth when husbands die. Evidence supporting this contention is drawn from the comparison of the wealth of the about-to-be-widowed group (wealth median of $107,389) and the newly widowed group (wealth median of $80,883). Finally, although income-to-needs rise and poverty rates fall somewhat when the annuity value of financial wealth holdings are added to income, the gain is not large and wealth does not alter the relative differences in economic well-being measures across these groups.

The results of this study could have implications for both consumer educators and financial planners. Widows in the United States continue to face an elevated economic risk. Although the gradual liquidation of their wealth would moderately improve their economic position, it would not completely off-set their lower income levels. We need to know why widows continue to have relatively long-standing differences in both income and asset holdings as compared to similarly aged intact couples. Are assets being drained away to meet the health care costs experienced by these families prior to the husbands' deaths? Are these husbands, upon their deaths, willing significant assets to individuals outside their immediate families? If the answers to questions like these are "yes," then educational materials developed by consumer educators and financial planners need to place greater emphasis on the topics of risk management (e.g., health and life insurance) and estate planning and how they may affect the economic situation of surviving family members.

Acknowledgements

The research for this paper was supported by the Social Security Administration. Grant Number: 10-P-98351-5-02. We would like to thank Stuart Kipnis for his able computing assistance.

References

Bell, F. C., Wade, A.C. & Goss, S.C. (1992). Life Tables for the United States Social Security Area 1900-2080. Actuarial Study No. 107. Washington DC: U.S. Department of Health and Human Services.

Curtin, R. T., Juster, F.T. & Morgan, J.N.. (1989). Survey estimates of wealth: An assessment of quality. Pp. 473-548 in Lipsey, Robert E. and Helen Stone Tice (Eds.) The Measurement of Saving, Investment, and Wealth. Chicago: The University of Chicago Press.

Del Bene, L. & Vaughan, D.R. (1992). Income, assets, and health insurance: Economic resources for meeting acute health care needs of the aged. Social Security Bulletin, 55, 3-25.

Holden, K.C.& Kuo, H.D. (1996). Complex marital histories and economic well-being: The continuing legacy of divorce and widowhood as the HRS cohort approaches retirement. The Gerontologist, 36, 383-390.

Holden, K.C. & Zick,C.D. (1997). The economic impact of widowhood in the 1990s: Evidence from the survey of income and program participation. Paper presented at the 1997 meetings of the Population Association of America.

Hurd, M. D. (1990). Research on the elderly: Economic status, retirement, and consumption and saving. The Journal of Economic Literature, 28, 565-637.

Hurd, M. D. (1987). Savings of the elderly and desired bequests. American Economic Review, 77, 298-312.

Hurd, M. D. & Wise, D.A. (1989). The wealth and poverty of widows: Assets before and after the husband's death. Pp. 177-200 in Wise, D. A. (Ed.) The Economics of Aging. Chicago: The University of Chicago Press.

McNeil, J. M. & Lamas, E.J. (1989). Year-apart estimates of household net worth from the Survey of Income and Program Participation. Pp. 431-462 in Lipsey, R. E. & Tice, H.S. (Eds.) The Measurement of Saving, Investment, and Wealth. Chicago: The University of Chicago Press.

Radner, D. B. (1993). Economic well-being of the old old: Family unit income and household wealth. Social Security Bulletin, 56, 3-19.

Smith, J. P. (1997a). Wealth inequality among older Americans. The Journals of Gerontology, 52B, 74-81.

Smith, J. P. (1997b). The changing economic circumstances of the elderly: Income, wealth, and social security. Center for Policy Research Policy Brief #8/1997. Syracuse University Maxwell School of Citizenship and Public Affairs.

Smith, J. P. (1995). Racial and ethnic differences in wealth in the health and retirement study. The Journal of Human Resources, 30, S158-S183.

Endnotes

[1] Professor and Department Chair, Department of Family and Consumer Studies.

[2] Professor, Department of Consumer Sciences and La Follette Institute for Public Affairs.