

**No Pain, No Strain:
Impact of Health on the Financial Security of Older Americans**

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Abstract

This study uses data from the Health and Retirement Study (HRS) to investigate the impact that health problems have on the financial strain of older Americans. Two-stage probit models are estimated for a series of financial ratio guidelines that take into account household solvency, liquidity, and investment accumulation. We use instrumental variables and longitudinal analysis to control for possible endogeneity between health and financial strain. We test the robustness of our findings using a subjective measure of self-reported health status and two objective measures of health that control for the severity of specific health conditions. The results show that health problems significantly increase the likelihood of financial strain for older individuals, especially those with severe chronic conditions. The findings provide insight into the future financial security of older Americans, especially the oldest of the old and those with lower incomes. The results have important implications for consumers as well as the health care industry and health policy. The working paper is available at www.networksfinancialinstitute.org.

References

Kim, H., & A. C. Lyons. (2007). No pain, no strain: Impact of health on the financial security of older Americans. (Working Paper 2007-WP-12). Indianapolis, IN: Networks Financial Institute, Indiana State University.

Endnotes

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