

**WHEN THE NEST EGG CRACKS:
FINANCIAL CONSEQUENCES OF HEALTH PROBLEMS, MARITAL STATUS
CHANGES, AND JOB LAYOFFS AT OLDER AGES**

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Abstract

The risk of falling into poor health, losing the ability to work or live independently, becoming widowed, and experiencing other negative events that threaten financial security increase with age. This report computes the incidence of these negative events at older ages and examines their impact on economic well-being. Over a 10-year period, more than three-quarters of adults age 51 to 61 at the beginning of the period experience job layoffs, widowhood, divorce, new health problems, or the onset of frailty among parents or in-laws. More than two-thirds of adults age 70 and older experience at least one negative shock over a nine-year period. Incidence rates are even higher at the household level for married people, who face the added risk that their spouses could develop health problems or lose their jobs. Financial consequences are especially serious for older adults who develop work disabilities or long-term care needs, or who become unemployed.

Introduction

Things often go wrong at older ages. Health frequently fails, many people become frail, and some lose the ability to live independently, especially at very advanced ages. Even when one's own health remains strong, spouses often fall ill, become disabled, or die. Some lose their spouses to divorce. Older people not yet retired run the risk of losing their jobs.

In addition to the emotional toll, widowhood, divorce, layoff, and health problems can have serious financial consequences in later life. The loss of a spouse, through either death or divorce, often reduces household Social Security benefits, employer-provided pension benefits, and other income. Despite near-universal Medicare coverage at ages 65 and older, the onset of serious medical conditions generally raises out-of-pocket health care spending substantially. Long-term care costs can be catastrophic. Few people have private insurance that pays for nursing homes or home care, and publicly financed services are available only to those who have depleted their savings or had only minimal assets to begin with. The financial consequences of illness or disability may be even more dire for older adults who have not yet reached age 65 and qualified for Medicare. In addition to facing higher potential out-of-pocket health care costs, workers who become ill or have family members who become ill may be compelled to withdraw from the labor force. For workers in their 50s and 60s still preparing for retirement, an unexpected job layoff can also be financially devastating.

This study examines different types of negative events that strike at older ages. The paper reports the prevalence of health problems among adults age 51 to 61 and those age 70 and older. It then computes the incidence of widowhood, divorce, job layoffs, disability, nursing home entry, and various medical conditions over about 10 years, and examines their impact on wealth and the likelihood of having low income. Earlier studies have documented the financial

burdens associated with widowhood, divorce, health problems, and job loss, but do not provide a comprehensive assessment of late-life risks. An up-to-date description of the risks older adults face in retirement and how they affect financial well-being is needed to assess the adequacy of Social Security and the other components of the retirement income system.

The results show that many older people experience negative shocks that threaten late-life financial security. Over 10 years, more than three-quarters of adults age 51 to 61 at the beginning of the period experience job layoffs, widowhood, divorce, new health problems, or the onset of frailty among parents or in-laws. More than two-thirds of adults age 70 and older experience at least one negative shock over a nine-year period. Incidence rates are even higher at the household level for married people, who face the added risk that their spouses could develop health problems or lose their jobs. Financial consequences are especially serious for older adults who develop work disabilities or long-term care needs, or who become unemployed.

Background

Older Americans face many risks in retirement and in the years leading up to retirement. Health problems and disabilities, widowhood, divorce, and job layoffs can all threaten financial security. The impact may be especially serious for adults in their 50s and early 60s who are still working and accumulating retirement savings.

Health Problems

Health problems at any age may create financial hardship. They generally raise out-of-pocket health care spending and, when serious enough, can force people to reduce their labor supply or drop out of the labor force completely. In a recent survey, 39 percent of terminally ill patients reported that health care costs caused moderate or severe financial problems (Emanuel et

al. 2000). About half of Americans filing for bankruptcy in 2001 cited medical causes (Himmelstein et al. 2005). Health insurance does not always provide much protection. About three-quarters of those who declared bankruptcy in part because of medical bills had health insurance at the onset of the illness. Insured adults at midlife spend more out of pocket on health care, including insurance premiums, than those without coverage (Johnson and Crystal 2000). The uninsured use relatively few health services except when they become seriously ill, in which case they are likely to acquire public insurance.

The financial consequences of poor health vary with age. Older people devote more of their income to health care than younger people, regardless of health status. For example, 35 percent of families headed by an adult age 65 or older spent 5 percent or more of their income on health care (excluding premium costs) in 1996, compared with 19 percent of families headed by an adult age 55 to 64 and 9 percent of families headed by an adult age 25 to 54 (Merlis 2002). Health problems compound the financial burden of health care costs. Aged Medicare beneficiaries in fair or poor health averaged \$4,000 in annual out-of-pocket health care spending in 2003, compared with \$2,845 for those in excellent health (Caplan and Brangan 2004). Medical expenses are especially high in the last year of life (Garber, MaCurdy, and McClellan 1999), and often leave surviving spouses with few financial resources (McGarry and Schoeni 2005).

Workers can also lose labor income when they or their family members become seriously ill. Health problems force many older Americans into early retirement (CBO 2004; McGarry 2004), and workers sometimes have to cut back on their work hours to care for ill family members (Coile 2003; Johnson and Favreault 2001; Johnson and LoSasso 2000). In 2001, 35

percent of those bankrupted by medical problems curtailed their employment, often to care for someone else (Himmelstein et al. 2005).

Onset of Disability

The onset of disability may pose special financial challenges for older Americans. In 2002, about 1.4 million aged adults resided in nursing homes (Spillman and Black 2005), and another 8.7 million aged adults with disabilities lived in the community (Johnson and Wiener forthcoming). Many frail older people have limited financial resources. In 2001, 36 percent of severely disabled older adults living in the community had incomes below 125 percent of the federal poverty level, and their median household wealth was less than \$50,000 (Johnson and Wiener forthcoming).

Long-term care costs can be staggering. In 2004, the average daily private pay rate for a semi-private room was \$169, or about \$61,700 per year (MetLife 2004). Home health aides who help with personal care activities charged \$18 per hour on average in 2004. For the typical user of paid services who receives 60 hours of paid care per month (Johnson and Wiener forthcoming), annual home care costs total more than \$14,000.

Private and public insurance for long-term care services is limited. Medicare covers few services, and people must meet strict income and asset tests to qualify for Medicaid. People with too much wealth or income to qualify initially for Medicaid can receive benefits once they have spent nearly all of their resources on long-term care services. According to one estimate, about one-third of nursing home residents ineligible for Medicaid when they are admitted deplete enough of their assets to qualify for coverage before they are discharged (Wiener, Sullivan, and Skaggs 1996). Private long-term care insurance is an increasingly popular option, but still

relatively rare. In 2002, only 9 percent of adults age 55 and older had private coverage (Johnson and Uccello 2005).

Loss of a Spouse

Many studies have documented the loss of income and increased likelihood of impoverishment that results from widowhood (Burkhauser, Butler, and Holden 1991; Sevak, Weir, and Willis 2003/2004; Weir and Willis 2000; Zick and Smith 1991). In 2000, 17 percent of widowed women age 65 or older received incomes less than the federal poverty line, compared with just 4 percent of married women (Social Security Administration 2002). The death of a spouse can result in the loss of household earnings if the deceased spouse had been working, and the loss of the spouse's Social Security and employer-sponsored pension benefits.¹ Consumption needs generally fall when a spouse dies and the household shrinks, but not by much, at least according to the assumptions underlying the official poverty threshold.²

Poverty rates at older ages are even higher among divorced women than widowed women. In 2000, 20 percent of divorced women age 65 or older had incomes below the poverty line (Social Security Administration 2002). The share of divorced women in the retired population will grow in the coming decades with the aging of the Baby Boomers, who have much higher divorce rates than earlier generations (Butrica and Iams 2000).

¹ Federal legislation passed in 1984 now requires participants in employer-sponsored defined benefit plans to obtain the written consent of their spouses before they may decline survivor protection. Between 1992 and 2002, 72 percent of married men who retired with defined benefit pension plans chose a joint and survivor annuity, guaranteeing their spouses pension income if they became widowed (Johnson, Uccello, and Goldwyn 2005).

² The federal poverty threshold is only 26 percent higher for a married couple than for a single individual. Many experts believe that this adjustment factor is too low, implying unrealistically high economies of scale in household production (Citro and Michael 1995).

Loss of a Job

Job layoffs in the years just prior to retirement can have long-lasting financial consequences. People in their 50s who become unemployed frequently have trouble finding other jobs (Chan and Stevens 2001). Lost labor earnings reduce pension wealth, Social Security wealth, and other savings, threatening retirement security.

Data and Methods

This study examines risks at older ages by computing the prevalence and incidence of certain negative shocks to well-being and measuring their impact on household wealth and the probability of having limited income. The analysis examines separately outcomes for people age 51 to 61 at baseline and those age 70 or older at baseline, because negative events can differentially affect those preparing for retirement and those already retired. We also examine outcomes by baseline marital status. Single people may be especially vulnerable to late-life risks, because they cannot draw on the financial resources of their spouses when things go wrong. And only married people face the risk of widowhood and divorce. The analysis is conducted at the individual level, but we examine household-level financial outcomes and consider the impact of negative shocks to spouses.

Our data come from the Health and Retirement Study (HRS), a longitudinal survey of older Americans conducted by the Survey Research Center at the University of Michigan for the National Institute on Aging. We examine two of the cohorts followed by the study. The HRS cohort consists of adults age 51 to 61 at baseline who were interviewed every other year between 1992 and 2002. The AHEAD cohort consists of adults age 70 or older at baseline who were interviewed in 1993, 1995, 1998, 2000, and 2002. The survey collects detailed information on

health status, employment, income, and assets. It over samples African Americans and Hispanics but includes sample weights used to adjust the estimates so that they represent the underlying national population. All respondents live in the community at baseline, but the survey follows respondents into nursing homes as necessary, and collects data from proxies for respondents unable to provide information themselves. It also interviews spouses of respondents in both cohorts, regardless of age.

Our sample includes respondents who die over the course of the panel and thus may experience the most serious health shocks. About 10 percent of baseline respondents in the younger age group and 42 percent of those in the older age group die by 2002. We exclude from our sample respondents who drop out of the survey over time for other reasons. After eliminating a few respondents with missing data, the final sample consists of 7,968 adults age 51 to 61 (5,873 of whom are married at baseline) and 5,880 adults age 70 and older (3002 of whom are married at baseline).

Measuring Prevalence of Health Problems and Incidence of Shocks

The analysis begins with an examination of the prevalence at baseline interview of major medical conditions, severe disabilities, severe cognitive impairment, health-related work limitations, and the presence of parents or in-laws who need help with basic personal care. A major medical condition is defined as cancer, stroke, heart problems, lung disease, diabetes, or psychiatric problems, as diagnosed by a physician. We classify adults age 70 and older as severely disabled if they report difficulty with three or more of the following activities of daily living (ADLs): bathing, dressing, eating, getting in or out of bed, walking across a room, and using the toilet. (The presence of three or more ADL limitations is the typical definition for severe disabilities, and most long-term care insurance policies use this definition when setting

benefit eligibility). We classify adults age 51 to 61 as severely disabled if they report limitations with two or more of the following activities: bathing, dressing, or eating. Our definition varies by age because the HRS survey did not include the full battery of disability questions in the baseline interview for the younger age group. We classify respondents as being cognitively impaired if they perform poorly on a cognitive test.³ This measure is available only for the older group, because the survey did not test respondents younger than 65. We classify adults as having health-related work limitations if they report having health problems that limit their ability to work. Because the survey did not always ask respondents in the AHEAD cohort about work limitations or parental frailty, these measures are available only for the younger group.

We then calculate the share in each cohort experiencing health, employment, or marital status shocks after baseline. Shocks include the onset of major medical conditions, severe disability, severe cognitive impairment, health-related work limitations, and parental frailty; spells of nursing home care; job layoffs; divorce; and widowhood. (As noted earlier, data limitations prevent us from examining cognitive impairment for adults age 51 to 61, or work-limiting health conditions, layoffs, or parental frailty for adults age 70 and older.) The calculation includes respondents with health conditions at baseline, who can develop new

³ The HRS administers to all non-proxy respondents a cognitive test, known as the TICS instrument (Brandt, Spencer, and Folstein 1988), that consists of four memory and two executive functioning tasks. The survey instrument asks respondents to recall a list of words (10 points); recall the same list about five minutes later (10 points); name the day of the week and the date (4 points); name the president and vice president of the United States, the prickly plant that grows in the desert, and the object that people usually use to cut paper (4 points); subtract seven from 100 five times (5 points); and count backwards from 20 to 10 (2 points). Following Herzog and Wallace (1997), we assign 2 points (out of 10) to those who refused the entire immediate recall task, 0 points to those who refused the entire recall test, and 1 point to those who refused to subtract seven from 100. We assign 0 points for nonresponse to a single item in a task. The maximum score, indicating the highest cognitive functioning, is 35. We classify respondents as being cognitively impaired if they score 10 or lower, a threshold that appears to generate the same prevalence of cognitive impairment in our sample as in the general older population (Brookmeyer, Gray, and Kawas 1998). Proxies responding for sample members who do not answer for themselves are asked to rate the respondent's memory and judgment. Following Freedman, Aykan, and Martin (2000), we classify people whose responses were provided by proxy as cognitively impaired if the proxies described them as having poor memory and poor judgment.

conditions and limitations, and uses the last interview before death for those not surviving to 2002, the end of the sample period.

The tabulations also measure the prevalence and incidence of spousal health problems and the share of respondents in the younger age group whose spouses are laid off during the observation period, for those married at baseline. Spousal shocks can undermine financial security as much as shocks to one's own health and employment stability.

Measuring Wealth

We next examine the change in net household wealth over the sample period by the presence of negative shocks. Net wealth includes the value of housing, bank accounts, stocks, bonds, other real estate, IRAs, vehicles, and businesses, net of mortgage and other debt. (It excludes wealth that derives from the promise of future benefits from Social Security, employer-sponsored defined benefit pension plans, and health plans.) For those who do not survive until 2002 we use net wealth at their last interview before death. Because marital status frequently changes over time, we adjust for household size by dividing married respondents' wealth by 1.62, the midpoint of the range of household equivalence scales recommended by the National Academy of Science (Citro and Michael 1995). This household equivalence scale implies some gains to shared living arrangements, because the adjustment factor is less than 2, but fewer gains than those implied by the official federal poverty threshold, which uses a scale of 1.26. All amounts are expressed in constant 2002 dollars.

Modeling Financial Impact of Negative Shocks

Our analysis isolates the effect of each shock by estimating median regressions of net wealth at the last interview and of the change in real net wealth over the sample period, and by estimating probit models of the probability of having low household income at the end of the

sample period. We estimate medians instead of means because the distributions of wealth and the change in wealth are highly skewed. The probit model is restricted to those who do not have low income at baseline. Because the survey asks about income received in the calendar year before the interview, we last observe income in 2001. We set the low-income threshold equal to the federal poverty level for a single aged individual. However, we are not estimating the probability of falling into poverty for married people, because we use a household equivalence scale of 1.62 to adjust income, higher than the equivalence scale of 1.26 that the U.S. Census Bureau uses in the official poverty threshold. (We consider an aged couple receiving an annual income of less than \$13,760 in 2001 to be low income, whereas the official 2001 poverty level for an aged couple is \$10,715). We estimate models separately by marital status at baseline and gender.

The regressions include variables indicating the onset of health problems and other negative shocks, as well as baseline characteristics. For both age groups, predictors include nursing home entry and the onset of major medical conditions. Widowhood and divorce shocks also enter the regressions for all respondents married at baseline. At ages 51 to 61, the models include variables identifying those who develop health-related work limitations, who are laid off from work, and whose parents become frail. At ages 70 and older, the models include variables identifying those who become severely cognitively impaired. Indicators of spousal shocks also enter the regressions for the married sample. The models control for baseline health problems, age, race, education, and the number of times a given respondent is interviewed, which proxies longevity. We expect wealth to increase with interviews for the younger group, because those who live longer have more time to accumulate wealth for retirement.

Results

Many older Americans develop health problems over time or become widowed, and many young enough to remain in the labor force are laid off from their jobs. Job layoffs, the onset of work disabilities, and spells of nursing home care substantially erode household wealth.

Prevalence of Health Problems and Incidence of Negative Events

Nearly one-half of adults age 51 to 61 have health problems or frail parents or in-laws needing help with basic personal care (table 1). About 28 percent report one or more major medical conditions in 1992, with about 1 in 10 reporting heart problems, the most common condition. One in five report health problems that limit their ability to work, and about 19 percent have a parent or in-law with health problems. Single people in their 50s are significantly more likely to have health problems than married people, but they do not face the risk that spouses or in-laws might develop health problems, which could threaten their own financial security. Nearly 65 percent of married adults age 51 to 61 are dealing with their own health problems or the health problems of their spouses, parents, or in-laws, compared with just 51 percent of single adults.

Medical conditions are nearly twice as common at ages 70 and older as at ages 51 to 61. Among community-dwelling adults age 70 and older, 52.0 percent have one or more major medical conditions, and more than one-quarter report heart problems. In addition, 4.2 percent have severe disabilities and 4.9 percent are severely cognitively impaired. Work disabilities, however, are generally irrelevant for this age group, because very few people work into their 70s. Also, very few have surviving parents who need help. Unlike adults age 51 to 61, unmarried adults age 70 and older are not significantly more likely to report health problems of their own than their married counterparts. About 56 percent of single people age 70 and older have health

problems, and about three-quarters of married adults have health problems of their own or spouses with health problems.

Over a 10-year period, more than three-quarters of adults age 51 to 61 at baseline experience negative shocks, including widowhood, divorce, job layoffs, health problems, or the onset of frailty among parents or in-laws (table 2). Health problems and layoffs dominate at this age. For instance, 41.3 percent experience a major new medical condition, 33.7 percent develop health-related work limitations, 25.9 percent have parents or in-laws who become frail, and 18.7 percent are laid off from their jobs. Few people in their 50s or 60s enter nursing homes or develop severe disabilities. Only 9.8 percent of those married at baseline become widowed over the period, and only 3.0 percent become divorced. Single adults are significantly more likely than married adults to develop health problems, but they are significantly less likely to experience any type of negative shock because they do not face the risks of widowhood, divorce, or having frail parents-in-law.

More than two-thirds of adults age 70 and older experience at least one negative shock over a nine-year period. About half experience the onset of a major medical condition, with nearly one-quarter developing heart problems. The onset of frailty and cognitive impairment is quite common at older ages, especially among unmarried adults, and many enter nursing homes. Among single adults age 70 and older, 29.0 percent become severely disabled between 1993 and 2002 (or until they die), 16.7 percent become severely cognitively impaired, and 31.8 percent enter nursing homes. In addition, 29.1 percent of those married at baseline become widowed. Fewer than 1 percent of married adults age 70 and older become divorced.

The incidence of negative events rises when the analysis accounts for spousal shocks. Among people age 51 to 61 at baseline, 90.5 percent of adults married at the beginning of the

period experience a negative shock over a 10-year period or are married to someone who experiences a shock. They become widowed or divorced, their parents or in-laws become frail, or they or their spouses develop health problems, lose their jobs, or enter nursing homes. Among people age 70 and older and married at baseline, 81.6 percent experience negative shocks to their own health or their spouses' health over a nine-year period, they or their spouses enter nursing homes, or they become widowed or divorced. Among married and single people combined, about seven in eight adults age 51 to 61 at baseline and about three-quarters of adults age 70 and older experience a negative individual or spousal shock over the observation period.

Education, Gender, and Race Differences in Shocks

Negative shocks at older ages are especially common among those with limited education. For example, among people age 51 to 61 and single at baseline, 52.1 percent of those without high school diplomas develop new medical conditions over a 10-year period, compared with only 43.0 percent of high school graduates and 32.5 percent of college graduates (table 3). Fully 40.3 percent of single people who did not complete high school develop health-related work limitations over a 10-year period, and 17.5 percent develop severe disabilities. During the period, 81.2 percent of single people age 51 to 61 who did not graduate from high school experience some type of negative shock during the observation period, compared with 75.8 percent of high school graduates and 69.8 percent of college graduates. Interestingly, there is little correlation between educational attainment and job layoffs. College graduates are just as likely as high school dropouts to lose their jobs as they approach retirement.

Gender and race patterns in the incidence of negative events are more complicated than educational patterns. Although there are no significant differences at age 51 to 61 between single men and single women in the incidence of negative events over the 10-year period,

married women are significantly less likely than married men to experience individual negative shocks. Married women are much less likely to develop major medical conditions, but three times as likely to become widowed (15.0 percent versus 4.8 percent). There are no significant race differences in the overall incidence rates of negative events, but married blacks are significantly more likely to develop medical conditions and severe disabilities than married whites. Married blacks are also more likely to become widowed than whites.

At age 70 and older, women are significantly more likely to experience individual negative shocks than men, as reported in table 4, perhaps because they tend to live longer. About three-quarters of women married at baseline experience some type of negative shock over the nine-year period, compared with two-thirds of men married at baseline. Gender differences are greatest for widowhood rates, with 44.3 percent of married women becoming widowed during the period, compared with only 18.0 percent of married men. Among those married at baseline, women are also significantly more likely than men to develop severe disabilities and enter nursing homes. Among those single at baseline, women are significantly more likely than men to develop severe disabilities, become severely cognitively impaired, and enter nursing homes.

As at younger ages, adults age 70 and older with limited education are more likely to experience negative shocks than college graduates. Educational differences are especially pronounced in the likelihood of becoming severely disabled or cognitively impaired. In addition, married blacks age 70 and older are more likely to experience negative shocks than married whites. Both married and single blacks and Hispanics are more likely than whites to become severely cognitively impaired, but single whites are significantly more likely than their black and Hispanic counterparts to enter nursing homes.

Changes in Household Wealth, Age 51 to 61 at Baseline

People age 51 to 61 and married at baseline who subsequently experience negative shocks generally report less wealth at the beginning of the 10-year period than those who never experience a shock, and their wealth grows much more slowly over time (table 5). For example, those who develop health-related work limitations during the period report baseline median wealth of \$93,929 (in 2002 dollars), compared with \$131,816 for those who never report these limitations. Real median wealth grows over the period by 17.1 percent for those who develop health conditions that limit work and by 45.7 percent for those who do not. Married adults with health-related work limitations at baseline experience even less favorable outcomes: They start the period with median wealth of only \$67,092, which then grows by only 16.5 percent in real terms by the end of the period.

Wealth tends to decline or barely grow at all for married people who become severely disabled, enter nursing homes, or become divorced. For example, real median wealth falls by 9.8 percent over the period for those who become severely disabled and grows by only 4.3 percent for those who become divorced. Median wealth levels do not, however, grow particularly slowly for people age 51 to 61 who become widowed or whose parents or in-laws become frail.⁴

Health and employment shocks are associated with even slower growth in wealth among adults single at baseline than those married at baseline (table 6). For example, real median wealth falls over the period by 94.0 percent for single people who enter nursing homes and by 18.0 percent for those who develop severe disabilities. For single adults who lose their jobs, real

⁴ When we use the federal poverty threshold's household equivalence scale of 1.26 to adjust for household-size differences in consumption needs instead of a factor of 1.62, we find that wealth grows much more slowly for those who become widowed than for those who remain married during the period. Using the federal poverty threshold adjustment factor, real median wealth grows by only 4.8 percent for those who become widowed, compared with 30.0 percent for married people who never become widowed. However, many experts believe that the gains to shared living arrangements implied by the federal poverty threshold's adjustments factors are unrealistically high (Citro and Michael 1995).

median wealth grows by only 8.4 percent, compared with 29.1 percent for those who are never laid off during the 10-year period. Married people appear better able to financially withstand adverse events than single people because they tend to have more resources. Household-size-adjusted median wealth in 1992 totals \$106,163 (in 2002 dollars) for married adults age 51 to 61, compared with \$46,175 for their unmarried counterparts. And household-size-adjusted real median wealth grows more rapidly for married adults over the next 10 years than for single adults.

Changes in Household Wealth, Age 70 and Older

As at younger ages, wealth at ages 70 and older grows more slowly for people who develop health problems than for those who never become ill or frail (table 7). Among people age 70 and older and married at baseline, for example, real median wealth declines by 20.9 percent between 1993 and 2002 (or until death) for those who enter nursing homes, but increases by 19.7 percent for those who never receive nursing home care. In addition, real median wealth declines by 11.5 percent for those who become severely cognitively impaired and by 0.5 percent for those who develop severe disabilities. Median wealth also declines or grows very slowly for those with disabilities and cognitive impairments at baseline. Given the concern about widow poverty, it is surprising that real median wealth, adjusted for household size, increases rapidly over the period for people age 70 and older who become widowed.⁵

Overall, real median wealth for adults age 70 and older married at baseline increases by 12.3 percent over the period from 1993 to 2002 (or death). Although considerably smaller than the increase in wealth at ages 51 to 61, when many people are still saving for retirement, this growth is remarkable, since the standard economic life-cycle theory of consumption and saving

⁵ However, we find that real median wealth declines by 2 percent among people age 70 and older who become widowed when we use the federal poverty threshold's household equivalence scale of 1.26.

predicts that people spend down their assets at older ages. In fact, median wealth for older married adults declines only for those who experience health shocks over the period.

Wealth declines more rapidly at older ages for those who are unmarried, especially when they experience health shocks associated with the need for long-term care (table 8). Overall, real median wealth declines by 28.1 percent over the nine-year period for adults age 70 and older who are single at baseline. Real median wealth falls by 59.8 percent for those who become severely disabled, by 73.7 percent for those who enter nursing homes, and by 77.3 percent for those who develop severe cognitive impairments. Those who experience these shocks also start the period with fewer assets than those who never experience shocks.

Multivariate Models of Change in Household Wealth

Results from median regressions of the level of household wealth in 2002 or the last interview reveal that job layoffs, divorce, and the onset of health-related work limitations sharply reduce household wealth for adults age 51 to 61 (table 9). For example, job layoffs reduce household wealth for married men by \$32,877, or more than one-quarter of median baseline wealth. The impact is even greater in relative terms for single men, who typically forfeit nearly half of their wealth (or about \$23,000) when they lose their jobs. Divorce reduces wealth levels, adjusted for household size, by nearly \$60,000 for typical married women (or about half of median wealth at baseline) and by about \$46,000 for typical married men. Widowhood significantly reduces wealth for married women, but the effect is less than one-third as large as the effect of divorce. Widowhood does not significantly reduce wealth for married men. The onset of a major medical condition significantly reduces wealth levels for women but not for men. Only a few spousal shocks matter, including the onset of medical conditions and health-related work limitations among wives and job layoffs among husbands. Neither the presence of

a frail parent at baseline or the onset of parental frailty significantly affects household wealth at the end of the period.

Nursing home entry has important financial consequences for adults age 70 and older, especially for women, even after controlling for demographic factors and baseline health conditions (table 10). Married women, for example, forfeit about \$40,000 — more than one-third of the wealth they typically hold at baseline — when they enter nursing homes, and single women forfeit about \$20,000, or about 60 percent of baseline median wealth. Widowhood and divorce do not significantly affect wealth levels for the older group, and the onset of major medical conditions significantly reduces wealth only for unmarried women.⁶ The onset of severe cognitive impairment significantly reduces wealth only for older married men.

Both age groups, blacks, Hispanics, and those who did not complete high school accumulate much less wealth by the end of the period than other adults. Among single women age 70 and older, for example, blacks have about \$22,400 less wealth than whites, controlling for negative shocks and other factors. All else equal, older black single women hold only about one-third as much wealth as older single women overall. Hispanic single women age 70 and older and single women who did not graduate from high school are even more disadvantaged.

Baseline health conditions also lead to lower wealth levels at the end of the period. Adults age 51 to 61 with health-related work limitations at baseline end up with substantially lower levels of wealth than those without work disabilities at baseline. Diagnosed medical conditions at baseline also reduce wealth for both age groups, although the effects are not significant for all gender and marital status groups.

⁶ When we use the federal poverty threshold's household equivalence scale of 1.26, the model indicates that real median wealth declines by about \$9,000 over the period for older married women who become widowed.

Regressions of changes in wealth over the observation period generate results similar to the regressions of wealth levels at the end of the period. At ages 51 to 61, divorce, health-related work limitations, and job layoffs lead to negative changes in wealth, although the effect of job layoffs is significant only for married women and single men (table 11). At ages 70 and older, nursing home entry leads to sharp declines in wealth (table 12). For example, real household wealth falls by about \$19,000 over the period for married women who enter nursing homes, nearly triple the overall median increase in wealth during the period.

Multivariate Models of the Probability of Having Low Income

Results from our probit models show that divorce and spells of nursing home care lead to low household income for men and women age 51 to 61 who do not report low income at baseline (table 13). For example, married women who become divorced are nearly 11 percentage points more likely to report low income at the end of the period than other married women, controlling for baseline characteristics and other negative shocks. Spells of nursing home care increase by about 5 percentage points the probability that married men experience income declines that leave them with low income. The onset of health-related work limitations and widowhood among women and job layoffs among single men also significantly increase the probability of having low income at the end of the period. Overall, about 7 percent of married men and women report low income at the final observation (among those who did not have low income at baseline), as well as about 12 percent of single men and 19 percent of single women.

At age 70 and older, the onset of severe cognitive impairment increases the likelihood of low income for married men and women who did not report low income at the start of the period (table 14). Widowhood also appears to push women into low income, whereas divorce reduces income for men. Further, married women whose husbands receive nursing home care are nearly

6 percentage points more likely to report low income than other married women. Among people age 70 and older who do not have low income at baseline, about 5 percent of married men, 8 percent of married women, 11 percent of single men, and 17 percent of single women report low income at the end of the period.

For both age groups, race and educational attainment are among the strongest predictors of low income for older people who do not report low income at baseline. Among single women age 70 and older who do not begin the period with low income, for example, Hispanics are about 20 percentage points more likely to have low income at the end of the period than whites, more than double the overall rate. Controlling for health shocks and other factors, black single women age 70 and older are about 11 percentage points more likely to fall into low income than whites, and those who did not complete high school are about 11 percentage points more likely to fall into low income than high school graduates. At ages 51 to 61, health-related work limitations at baseline also significantly increase the probability of having low income at the end of the period.

Conclusions

Most older people experience some type of negative event over a 10-year period. More than three-quarters of adults age 51 to 61 in 1992 lose their jobs, become widowed or divorced, develop new health problems, or are confronted with frail parents or in-laws by 2002. About one-third develop work disabilities. Among adults age 70 and older, more than two-thirds experience at least one negative shock over a nine-year period. Incidence rates are even higher at the household level for married people, who face the added risk that their spouses could develop health problems or lose their jobs.

Negative shocks are especially common among those with limited education and, at ages 70 and older, among women. Among single people age 51 to 61, those who did not graduate from high school are more than four times as likely to develop severe disabilities as college graduates. Among married people age 70 and older, those who did not graduate from high school are more than twice as likely to become severely cognitively impaired as college graduates. Married women age 70 and older are more than twice as likely to become widowed as married men, and are significantly more likely to become severely disabled and enter nursing homes.

These events often threaten financial security at older ages, especially when they strike relatively young adults who may not have completed their retirement preparations. Job layoffs and the onset of work disabilities sharply reduce household wealth for adults age 51 to 61. For example, single men who become unemployed and single women who develop work disabilities typically forfeit more than half of their wealth. Other studies have documented the difficulties older workers face in finding new jobs (Chan and Stevens 2001), and lengthy periods of unemployment reduce pension wealth, Social Security wealth, and other retirement savings. Adults with disabilities at any age receive few protections (Wittenburg and Favreault 2003).

At age 70 and older, the onset of long-term care needs poses special threats to financial security. For example, spells of nursing home care reduce household wealth by about 60 percent for unmarried women. Long-term care costs can be staggering, especially for nursing home residents, and private and public insurance is limited. People must generally spend nearly all of their resources on long-term care services before they qualify for Medicaid, and Medicare covers few services. Private long-term care insurance remains rare. Although long-term care costs have not received as much attention as the financial problems facing Social Security and Medicare, they are likely to place enormous pressures on government and family budgets as the population

ages and more people become frail. Innovative ways of financing long-term care must be developed to protect the financial security of older Americans, limit the tax burden on younger generations, and ensure that frail older adults receive the care they need.

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Table 1. Prevalence of Baseline Health Problems Among Noninstitutionalized Adults, by Age and Marital Status (%)

Conditions	51 to 61			70 and older		
	All	Married	Single	All	Married	Single
Individual						
Major Medical Condition						
Cancer	4.6	4.5	5.0	12.1	12.0	12.2
Stroke	2.0	1.9	2.4	8.6	8.3	8.9
Heart Problems	10.3	10.1	10.8	27.6	27.5	27.8
Lung Disease	5.4	4.8	7.3 **	8.0	7.3	8.8 *
Psychiatric Problems	7.4	5.7	12.5 **	6.5	6.5	6.5
Diabetes	8.4	7.9	10.0 **	11.3	11.6	11.0
Any	28.4	26.5	34.2 **	52.0	52.2	51.7
Health-Related Work Limitation	20.1	17.8	26.9 **	...	...	...
Severe Disability	0.6	0.5	1.2 **	4.2	2.6	6.0 **
Severe Cognitive Impairment	...	...	...	4.9	3.6	6.2 **
Any Health Condition	37.0	34.7	44.1 **	54.6	53.7	55.6
Frail Parent or In-Law	18.8	20.9	12.6 **	...	...	...
Any Health Condition or Frail Parent/In-Law	48.6	47.8	51.2 **	54.6	53.7	55.6
Individual or Spouse^a						
Major Medical Condition	42.7	45.0	34.2 **	64.1	66.7	51.7 **
Health-Related Work Limitation	30.5	31.2	26.9 **	...	...	...
Severe Disability	1.1	1.0	1.2	5.5	5.1	6.0
Severe Cognitive Impairment	...	...	...	6.4	6.4	6.2
Any Condition	61.9	64.9	51.2 **	66.6	75.5	55.6 **
N	7,968	5,873	2,095	5,880	3,002	2,878

Source: Authors' computations, based on data from the HRS.

Notes: Baseline interviews were held in 1992 for respondents age 51 to 61 and in 1993 for those age 70 and older. The group age 51 to 61 is classified as severely disabled if they report limitations with two or more of the following activities of daily living: bathing, dressing, and eating. The older group is classified as severely disabled if they report limitations with three or more of the following activities: bathing, eating, dressing, getting in and out of bed, walking across a room, and using the toilet. Data are not available on cognitive impairment for those younger than 65. Members of the older age group were not asked about health conditions that limit work or the health problems of their parents.

a. Includes health problems reported by the respondent's spouse.

* indicates marginally significant differences ($.05 < p < .10$) from married group

** indicates significant differences ($p < .05$) from married group

Table 2. Incidence of Selected Negative Events Over About 10 Years, by Age and Marital Status (%)

Events	51 to 61 at Baseline			70 and older at Baseline		
	All	Married	Single	All	Married	Single
Individual						
Major Medical Condition						
Cancer	9.6	9.7	9.3	11.1	12.4	9.6 **
Stroke	5.2	4.7	6.7 **	14.0	12.4	15.9 **
Heart Problems	16.1	15.7	17.5 *	22.6	23.2	21.9
Lung Disease	6.4	5.8	8.3 **	6.2	6.2	6.2
Psychiatric Problems	8.9	8.3	10.7 **	10.4	9.8	11.1
Diabetes	10.4	10.1	11.0	6.4	6.5	6.4
Any	41.3	40.2	44.3 **	50.4	50.5	50.3
Health-Related Work Limitation	33.7	33.0	35.8 **	...	...	...
Severe Disability	6.9	5.6	10.5 **	24.2	19.9	29.0 **
Frail Parent or In-Law	25.9	28.1	19.4 **	...	...	...
Severe Cognitive Impairment	...	...	...	14.5	12.5	16.7 **
Enter Nursing Home	3.4	2.7	5.7 **	24.0	17.1	31.8 **
Laid Off from Job	18.7	18.2	20.0	...	...	...
Divorced	4.0	3.0	...	0.4	0.5	...
Widowed	7.9	9.8	...	16.3	29.1	...
Any Negative Shock	78.0	77.9	74.9 *	69.1	70.7	67.4 **
Individual or Spouse^a						
Major Medical Condition	57.3	60.8	44.3 **	59.2	66.7	50.3 **
Health-Related Work Limitation	48.4	51.7	35.8 **	...	...	...
Severe Disability	10.5	10.3	10.5	29.2	29.4	29.0
Severe Cognitive Impairment	...	...	...	17.8	18.6	16.7 *
Enter Nursing Home	5.4	5.2	5.7	27.2	23.1	31.8 **
Laid Off from Job	28.6	30.7	20.0 **	...	...	...
Any Negative Shock	87.4	90.5	74.9 **	75.1	81.6	67.4 **
N	7,968	5,873	2,095	5,880	3,002	2,878

Source: Authors' computations, based on data from the HRS.

Notes: Estimates are for years 1992 to 2002 for those age 51 to 61 at baseline, and years 1993 to 2002 for those age 70 and older at baseline. The group age 51 to 61 is classified as severely disabled if they report limitations with two or more of the following activities of daily living: bathing, dressing, and eating. The older group is classified as severely disabled if they report limitations with three or more of the following activities: bathing, eating, dressing, getting in and out of bed, walking across a room, and using the toilet. Data are not available on cognitive impairment for those younger than 65. Members of the older age group were not asked about health conditions that limit work or the health problems of their parents.

a. Includes negative events reported by the respondent's spouse.

* indicates marginally significant differences ($.05 < p < .10$) from married group

** indicates significant differences ($p < .05$) from married group

Table 3. Incidence of Negative Events Between 1992 and 2002, Age 51-61 in 1992, by Demographic Characteristics (%)

	Gender			Educational Attainment			Race		
	All	Men	Women	Less than High School	High School Graduate	College Graduate	White	Black	Hispanic
MARRIED in 1992									
Individual									
Major Medical Condition	40.2	44.6	35.8 **	49.4	37.7 **	35.4 **	39.9	44.6 **	41.1
Health-Related Work Limitation	33.0	32.2	33.8	38.6	33.5 **	24.4 **	33.0	33.9	34.9
Severe Disability	5.6	4.6	6.6 **	10.2	4.4 **	3.1 **	4.9	11.4 **	10.5 **
Enter Nursing Home	2.7	2.6	2.7	3.6	2.6 *	1.6 **	2.6	4.6 **	2.0
Laid off	18.2	20.2	16.3 **	17.1	18.4	19.2	18.2	15.2 **	20.1
Frail Parent or In-Law	28.1	30.3	25.9 **	24.6	27.8 **	33.5 **	28.4	24.8 **	29.8
Divorced	3.1	3.4	2.7	3.0	3.0	3.3	3.1	2.8	3.4
Widowed	9.8	4.8	15.0 **	12.5	10.2 **	5.3 **	9.5	13.6 **	10.4
Any Negative Event	78.5	79.8	77.3 **	83.1	77.1 **	76.8 **	78.3	80.1	82.0 *
N	5,873	3,012	2,861	1,681	3,140	1,052	4,580	694	489
SINGLE in 1992									
Individual									
Major Medical Condition	44.3	46.2	43.1	52.1	43.0 **	32.5 **	43.9	42.9	50.8 **
Health-Related Work Limitation	35.8	34.0	36.9	40.3	37.1	23.4 **	36.5	33.5	36.6
Severe Disability	10.5	9.9	10.9	17.5	8.1 **	3.9 **	8.2	16.5 **	15.9 **
Enter Nursing Home	5.7	6.5	5.2	7.1	5.4	3.6 **	5.7	5.4	6.5
Laid off	20.0	19.7	20.2	18.9	21.3	18.6	21.6	16.0 **	20.3
Frail Parent or In-Law	19.4	21.0	18.4	18.7	19.2	21.2	20.8	13.8 **	20.4
Any Negative Event	76.6	76.8	76.4	81.2	75.8 **	69.8 **	76.9	74.9	79.5
N	2,095	692	1,403	802	969	324	1,190	643	216

Source: Authors' computations, based on data from the HRS.

Notes: Major medical conditions include cancer, stroke, heart problems, lung disease, diabetes, and psychiatric problems. Respondents are classified as severely disabled if they report limitations with two or more of the following activities: bathing, dressing, and eating. Estimates do not include spousal shocks.

* indicates marginally significant differences ($.05 < p < .10$) from first column in group

** indicates significant differences ($p < .05$) from first column in group

Table 4. Incidence of Negative Events Between 1993 and 2002, Age 70 and Older in 1993, by Demographic Characteristics (%)

	Gender			Educational Attainment			Race		
	All	Men	Women	Less than High School	High School Graduate	College Graduate	White	Black	Hispanic
MARRIED in 1993									
Individual									
Major Medical Condition	50.5	51.8	48.8	54.7	49.9 **	42.4 **	50.9	50.3	46.0
Severe Disability	19.9	18.4	22.0 **	24.9	17.4 **	15.7 **	19.3	26.7 **	24.9
Enter Nursing Home	17.1	15.3	19.5 **	17.5	16.8	16.9	17.2	19.9	9.7 **
Severe Cognitive Impairment	12.5	11.7	13.6	17.4	10.4 **	7.4 **	11.4	24.2 **	24.3 **
Divorced	0.5	0.5	0.5	0.4	0.4	0.9	0.5	0.0 **	0.6
Widowed	29.1	18.0	44.3 **	28.8	31.1	23.5 **	28.7	36.1 **	29.5
Any Negative Event	70.7	66.7	76.0 **	74.4	70.3 **	62.7 **	70.4	76.4 **	73.0
N	3,002	1,704	1,298	1,165	1,412	425	2,558	268	147
SINGLE in 1993									
Individual									
Major Medical Condition	50.3	51.2	50.1	50.6	50.9	45.8	50.5	49.7	48.3
Severe Disability	29.0	23.0	30.4 **	34.9	24.4 **	21.0 **	27.8	36.5	33.1
Enter Nursing Home	31.8	25.0	33.4 **	32.9	31.7	26.0 *	33.0	25.4 **	19.0 **
Severe Cognitive Impairment	16.7	10.8	18.1 **	20.9	14.0 **	8.0 **	15.2	25.4 **	22.0 *
Any Negative Event	67.4	64.5	68.1 **	69.7	66.7	59.0 **	67.1	69.7	65.0
N	2,095	550	2,328	1,458	1,177	243	2,157	504	175

Source: Authors' computations, based on data from the HRS.

Notes: Major medical conditions include cancer, stroke, heart problems, lung disease, diabetes, and psychiatric problems. Respondents are classified as severely disabled if they report limitations with three or more of the following activities: bathing, eating, dressing, getting in and out of bed, walking across a room, and using the toilet. Estimates do not include spousal shocks.

* indicates marginally significant differences ($.05 < p < .10$) from first column in group

** indicates significant differences ($p < .05$) from first column in group

Table 5. Change in Real Median Household-Size-Adjusted Wealth from 1992 to 2002 or Death, by Onset of Negative Event, Adults Ages 51-61 and Married in 1992

	N	Median Wealth, 1992 (\$)	Increase, 1992 to 2002 (\$)	% Change, 1992 to 2002
ALL	5,873	106,163	33,325	31.4
RESPONDENT SHOCKS				
Major Medical Condition				
Never	2,533	136,552	55,322	40.5
Not at Baseline, Onset by Last Interview	1,627	96,692	22,729	23.5
Had Condition at First Interview	1,599	80,353	12,968	16.1
Health-Related Work Limitation				
Never	3,003	131,816	60,242	45.7
Not at Baseline, Onset by Last Interview	1,621	93,929	16,041	17.1
Had Condition at First Interview	1,071	67,092	11,062	16.5
Severe Disability				
Never	5,031	113,662	42,693	37.6
Not at Baseline, Onset by Last Interview	363	48,938	-4,801	-9.8
Enter Nursing Home				
Never	5,711	107,190	35,811	33.4
Enter by Last Interview	162	65,513	1,584	2.4
Job Layoff				
Working at Baseline, Never Laid Off	3,230	113,859	47,421	41.6
Working at Baseline, Laid Off by Last Interview	893	98,665	18,909	19.2
Not Working at Baseline	1,750	97,086	13,914	14.3
Divorced				
Never	5,696	107,663	34,837	32.4
Divorced by Last Interview	177	76,169	3,240	4.3
Widowed				
Never	5,261	109,715	35,129	32.0
Widowed by Last Interview	612	80,353	24,697	30.7
Frail Parent or In-Law				
Never	2,848	106,400	36,105	33.9
Not at Baseline, Onset by Last Interview	1,429	113,662	46,387	40.8
Had Condition at First Interview	1,262	104,900	22,523	21.5
SPOUSE SHOCKS				
Major Medical Condition				
Never	2,044	137,973	67,628	49.0
Not at Baseline, Onset by Last Interview	1,471	104,190	24,157	23.2
Had Condition at Baseline	1,721	84,299	15,116	17.9
Health-Related Work Limitation				
Never	2,533	133,395	66,051	49.5
Not at Baseline, Onset by Last Interview	1,437	101,822	21,292	20.9
Had Condition at First Interview	1,109	70,802	18,198	25.7
Severe Disability				
Never	4,230	120,766	46,978	38.9
Not at Baseline, Onset by Last Interview	338	59,988	8,956	14.9
Enter Nursing Home				
Never	5,721	106,558	35,024	32.9
Enter by Last Interview	152	85,246	11,645	13.7
Job Layoff				
Working at Baseline, Never Laid Off	3,043	114,261	48,865	42.8
Working at Baseline, Laid Off During Period	747	100,244	25,703	25.6
Not Working at Baseline	2,083	97,086	19,257	19.8

Source: Authors' computations, based on data from the HRS.

Notes: Wealth is expressed in constant 2002 dollars. To adjust for differences in household size, the analysis divides wealth for married couples by 1.62. Groups with fewer than 50 observations are not reported. Major medical conditions include cancer, stroke, heart problems, lung disease, diabetes, and psychiatric problems. Respondents are classified as severely disabled if they report limitations with two or more of the following activities: bathing, dressing, and eating.

Table 6. Change in Real Median Household-Size-Adjusted Wealth from 1992 to 2002 or Death, by Onset of Negative Event, Adults Ages 51-61 and Single in 1992

	N	Median Wealth, 1992 (\$)	Increase, 1992 to 2002 (\$)	% Change, 1992 to 2002
ALL	2,095	46,175	11,825	25.6
RESPONDENT SHOCKS				
Major Medical Condition				
Never	744	73,165	20,835	28.5
Not at Baseline, Onset by Last Interview	544	52,572	8,308	15.8
Had Condition at First Interview	751	19,234	856	4.5
Health-Related Work Limitation				
Never	790	96,169	33,631	35.0
Not at Baseline, Onset by Last Interview	625	35,903	6,447	18.0
Had Condition at First Interview	614	4,488	512	11.4
Severe Disability				
Never	1,575	61,676	19,824	32.1
Not at Baseline, Onset by Last Interview	250	2,693	-485	-18.0
Enter Nursing Home				
Never	1,976	48,084	13,916	28.9
Enter by Last Interview	119	16,733	-15,733	-94.0
Job Layoff				
Working at Baseline, Never Laid Off	1,051	72,063	20,937	29.1
Working at Baseline, Laid Off During Period	330	52,572	4,428	8.4
Not Working at Baseline	714	7,694	306	4.0
Frail Parent or In-Law				
Never	1,235	46,674	12,526	26.8
Not at Baseline, Onset by Last Interview	352	61,548	29,452	47.9
Had Condition at First Interview	272	62,843	-8,343	-13.3

Source: Authors' computations, based on data from the HRS.

Notes: Wealth is expressed in constant 2002 dollars. To adjust for differences in household size, the analysis divides wealth for married couples by 1.62. Groups with fewer than 50 observations are not reported. Major medical conditions include cancer, stroke, heart problems, lung disease, diabetes, and psychiatric problems. Respondents are classified as severely disabled if they report limitations with two or more of the following activities: bathing, dressing, and eating.

Table 7. Change in Real Median Household-Size-Adjusted Wealth from 1993 to 2002 or Death, by Onset of Negative Event, Adults Ages 70 and Older and Married in 1993

	N	Median Wealth, 1993 (\$)	Increase, 1993 to 2002 (\$)	% Change, 1993 to 2002
ALL	3,002	105,837	13,058	12.3
RESPONDENT SHOCKS				
Major Medical Condition				
Never	726	129,134	17,649	13.7
Not at Baseline, Onset by Last Interview	720	111,125	9,528	8.6
Had Condition at First Interview	1,551	95,720	8,461	8.8
Severe Disability				
Never	2,017	121,088	26,650	22.0
Not at Baseline, Onset by Last Interview	809	83,535	-433	-0.5
Had Condition at First Interview	175	62,843	3,282	5.2
Enter Nursing Home				
Never	2,471	107,293	21,113	19.7
Enter by Last Interview	531	100,012	-20,952	-20.9
Severe Cognitive Impairment				
Never	2,497	115,723	20,626	17.8
Not at Baseline, Onset by Last Interview	375	77,404	-8,888	-11.5
Had Condition at Baseline	123	36,786	-8,470	-23.0
Widowed				
Never	2,095	116,489	7,856	6.7
Widowed by Last Interview	907	82,769	20,647	24.9
SPOUSE SHOCKS				
Major Medical Condition				
Never	874	129,364	21,461	16.6
Not at Baseline, Onset by Last Interview	538	128,751	-5,277	-4.1
Had Condition at Baseline	1,463	90,586	12,830	14.2
Severe Disability				
Never	2,137	118,788	17,253	14.5
Not at Baseline, Onset by Last Interview	550	88,900	-230	-0.3
Had Condition at Baseline	194	65,678	5,112	7.8
Enter Nursing Home				
Never	2,708	105,812	14,593	13.8
Enter by Last Interview	294	111,125	-4,631	-4.2
Severe Cognitive Impairment				
Never	2,541	113,654	12,646	11.1
Not at Baseline, Onset by Last Interview	225	78,170	21,552	27.6
Had Condition at Baseline	111	46,749	14,751	31.6

Source: Authors' computations, based on data from the HRS.

Notes: Wealth is expressed in constant 2002 dollars. To adjust for differences in household size, the analysis divides wealth for married couples by 1.62. Groups with fewer than 50 observations are not reported. Major medical conditions include cancer, stroke, heart problems, lung disease, diabetes, and psychiatric problems. Respondents are classified as severely disabled if they report limitations with three or more of the following activities: bathing, dressing, eating, getting in and out of bed, walking across a room, and using the toilet.

Table 8. Change in Real Median Household-Size-Adjusted Wealth from 1993 to 2002, by Onset of Negative Event, Adults Ages 70 and Older and Single in 1993

	N	Median Wealth, 1993 (\$)	Increase, 1993 to 2002 (\$)	% Change, 1993 to 2002
ALL	2878	69,097	-19,412	-28.1
RESPONDENT SHOCKS				
Major Medical Condition				
Never	729	84,659	-19,659	-23.2
Not at Baseline, Onset by Last Interview	673	79,056	-29,056	-36.8
Had Condition at First Interview	1465	62,249	-22,249	-35.7
Severe Disability				
Never	1530	93,249	-12,249	-13.1
Not at Baseline, Onset by Last Interview	1011	49,799	-29,799	-59.8
Had Condition at First Interview	337	24,900	-9,448	-37.9
Enter Nursing Home				
Never	1988	75,072	-13,072	-17.4
Enter by Last Interview	890	53,933	-39,767	-73.7
Severe Cognitive Impairment				
Never	2188	80,924	-18,014	-22.3
Not at Baseline, Onset by Last Interview	469	48,554	-37,518	-77.3
Had Condition at Baseline	218	11,454	-10,954	-95.6

Source: Authors' computations, based on data from the HRS.

Notes: Wealth is expressed in constant 2002 dollars. To adjust for differences in household size, the analysis divides wealth for married couples by 1.62. Groups with fewer than 50 observations are not reported. Major medical conditions include cancer, stroke, heart problems, lung disease, diabetes, and psychiatric problems. Respondents are classified as severely disabled if they report limitations with three or more of the following activities: bathing, dressing, eating, getting in and out of bed, walking across a room, and using the toilet.

Table 8. Change in Real Median Household-Size-Adjusted Wealth from 1993 to 2002, by Onset of Negative Event, Adults Ages 70 and Older and Single in 1993

	N	Median Wealth, 1993 (\$)	Increase, 1993 to 2002 (\$)	% Change, 1993 to 2002
ALL	2878	69,097	-19,412	-28.1
RESPONDENT SHOCKS				
Major Medical Condition				
Never	729	84,659	-19,659	-23.2
Not at Baseline, Onset by Last Interview	673	79,056	-29,056	-36.8
Had Condition at First Interview	1465	62,249	-22,249	-35.7
Severe Disability				
Never	1530	93,249	-12,249	-13.1
Not at Baseline, Onset by Last Interview	1011	49,799	-29,799	-59.8
Had Condition at First Interview	337	24,900	-9,448	-37.9
Enter Nursing Home				
Never	1988	75,072	-13,072	-17.4
Enter by Last Interview	890	53,933	-39,767	-73.7
Severe Cognitive Impairment				
Never	2188	80,924	-18,014	-22.3
Not at Baseline, Onset by Last Interview	469	48,554	-37,518	-77.3
Had Condition at Baseline	218	11,454	-10,954	-95.6

Source: Authors' computations, based on data from the HRS.

Notes: Wealth is expressed in constant 2002 dollars. To adjust for differences in household size, the analysis divides wealth for married couples by 1.62. Groups with fewer than 50 observations are not reported. Major medical conditions include cancer, stroke, heart problems, lung disease, diabetes, and psychiatric problems. Respondents are classified as severely disabled if they report limitations with three or more of the following activities: bathing, dressing, eating, getting in and out of bed, walking across a room, and using the toilet.

Table 9. Coefficients (with standard errors) from Median Regressions of Real Wealth Levels in 2002 or at Death, Adults Age 51-61 in 1992, by Gender and 1992 Marital Status

	Married in 1992		Single in 1992	
	Men	Women	Men	Women
Education				
Less than High School	-49,115 *** (6,953)	-53,210 *** (6,180)	-28,025 *** (8,936)	-27,953 *** (4,582)
College Graduate	128,275 *** (7,420)	95,033 *** (7,706)	153,121 *** (10,937)	103,048 *** (6,091)
Race and Ethnicity				
Black	-69,863 *** (9,091)	-74,988 *** (7,916)	-40,092 *** (9,193)	-34,458 *** (4,518)
Hispanic	-63,205 *** (10,859)	-64,016 *** (9,546)	-42,954 *** (13,484)	-24,958 *** (6,855)
Age in 1992				
	3,478 *** (920)	2,732 *** (823)	690 (1,210)	1,007 (620)
Number of Interviews				
	13,229 *** (3,501)	13,470 *** (4,097)	4,752 (3,809)	4,277 * (2,428)
Respondent Conditions in 1992				
Major Medical Condition	-8,452 (6,942)	-28,054 *** (6,051)	-23,004 *** (9,263)	-4,434 (4,583)
Health-Related Work Limit	-33,181 *** (8,064)	-15,734 ** (6,924)	-28,697 *** (10,051)	-28,520 *** (5,127)
Parent or In-Law Needs Help	5,992 (6,960)	5,592 (6,254)	14,601 (11,989)	6,353 (5,813)
Spouse Conditions in 1992				
Major Medical Condition	-15,589 ** (6,895)	-17,220 *** (5,924)	...	...
Health-Related Work Limit	-15,356 * (8,214)	-25,174 *** (6,731)	...	...
Respondent Shocks After 1992				
Major Medical Condition	-2,824 (5,956)	-28,364 *** (5,448)	5,168 (7,944)	-14,234 *** (4,228)
Enter Nursing Home	-34,429 ** (17,461)	-25,294 (15,454)	-17,706 (15,402)	-2,008 (9,088)
Health-Related Work Limit	-23,200 *** (6,331)	-20,012 *** (5,489)	-8,879 (8,532)	-23,280 *** (4,423)
Parent or In-Law Needs Help	8,171 (6,395)	8,751 (5,893)	21,385 ** (9,582)	5,114 (5,362)
Widowed	-8,835 (13,127)	-18,526 *** (7,311)	...	...
Divorced	-46,084 *** (15,971)	-59,542 *** (15,743)	...	...
Laid Off	-32,877 *** (7,220)	-15,443 ** (6,885)	-23,373 *** (9,930)	-9,527 * (5,134)
Spouse Shocks After 1992				
Major Medical Condition	-28,104 *** (6,344)	-6,613 (5,320)	...	...
Enter Nursing Home	-4,972 (21,713)	-22,151 (13,819)	...	...
Health-Related Work Limit	-16,532 *** (6,577)	-7,471 (5,649)	...	...
Laid Off	-11,819 (7,848)	-31,641 *** (6,957)	...	...
Constant				
	-73,044 (56,112)	-17,753 (52,301)	36,473 (70,685)	18,424 (38,660)
N				
	3,009	2,857	690	1,402
Median Wealth at Last Interview				
	118,805	117,574	50,000	36,950
Pseudo R²				
	0.107	0.100	0.082	0.100

Source: Authors' estimates, based on data from the HRS.

Notes: Wealth is expressed in constant 2002 dollars. To adjust for differences in household size, the analysis divides wealth for married couples by 1.62. Major medical conditions include cancer, stroke, heart problems, lung disease, diabetes, and psychiatric problems.

* $p < .10$; ** $p < .05$; *** $p < .01$

Table 10. Coefficients (with standard errors) from Median Regressions of Wealth Levels in 2002 or at Death, Adults Age 70 and Older in 1993, by Gender and 1993 Marital Status

	Married in 1993		Single in 1993	
	Men	Women	Men	Women
Education				
Less than High School	-60,329 *** (8,595)	-75,032 *** (10,093)	-30,899 *** (10,676)	-37,037 *** (3,726)
College Graduate	120,471 *** (10,928)	126,453 *** (14,618)	242,577 *** (16,799)	77,478 *** (6,369)
Race and Ethnicity				
Black	-53,582 *** (13,611)	-53,194 *** (16,237)	-55,818 *** (12,664)	-22,413 *** (4,688)
Hispanic	-61,971 *** (16,751)	-53,002 *** (22,452)	-71,893 *** (19,587)	-29,347 *** (7,216)
Age in 1993				
	483 (811)	541 (1,058)	-185 (898)	-703 ** (310)
Number of Interviews				
	11,638 *** (3,704)	7,653 (4,853)	4,411 (4,140)	3,108 * (1,606)
Respondent Conditions in 1993				
Major Medical Condition	-13,679 * (7,743)	-29,813 *** (8,890)	-8,998 (9,517)	-7,249 ** (3,396)
Severe Cognitive Impairment	-22,351 (18,608)	-3,110 (24,380)	-27,511 (18,563)	-3,418 (6,562)
Spouse Conditions in 1993				
Major Medical Condition	-24,126 *** (7,760)	-14,586 (9,370)	...	...
Severe Cognitive Impairment	-4,606 (23,768)	9,153 (20,594)	...	...
Respondent Shocks After 1993				
Major Medical Condition	-7,632 (7,657)	-9,028 (8,944)	-13,713 (9,753)	-8,674 *** (3,394)
Enter Nursing Home	-18,776 * (10,890)	-40,425 *** (12,172)	-8,028 (11,663)	-20,226 *** (3,878)
Severe Cognitive Impairment	-19,393 * (11,684)	-14,059 (13,411)	-25,806 * (15,049)	-6,832 (4,491)
Widowed	12,361 (10,168)	-11,403 (9,727)	...	...
Divorced	20,860 (54,335)	-88,564 (75,601)	...	...
Spouse Shocks After 1993				
Major Medical Condition	-12,086 (8,256)	-5,453 (9,482)	...	...
Enter Nursing Home	-5,036 (14,179)	-17,489 (14,925)	...	...
Severe Cognitive Impairment	677 (15,074)	-11,781 (15,638)	...	...
Constant				
	81,097 (70,044)	118,120 (90,464)	120,540 (78,635)	124,720 *** (28,403)
N				
	1,695	1,295	546	2,318
Median Wealth at Last Interview				
	108,344	109,000	60,000	34,000
Pseudo R²				
	0.0943	0.084	0.073	0.052

Source: Authors' estimates, based on data from the HRS.

Notes: Wealth is expressed in constant 2002 dollars. To adjust for differences in household size, the analysis divides wealth by 1.62 for married couples. Major medical conditions include cancer, stroke, heart problems, lung disease, diabetes, and psychiatric problems.

* $p < .10$; ** $p < .05$; *** $p < .01$

Table 11. Coefficients (with standard errors) from Median Regressions of Change in Real Wealth Between 1992 and 2002 or Death, Adults Ages 51-61 in 1992, By Gender and 1992 Marital Status

	Married in 1992		Single in 1992	
	Men	Women	Men	Women
Education				
Less than High School	-10,527 *** (3,390)	-10,125 *** (3,282)	-2,777 (3,245)	-1,134 (1,045)
College Graduate	45,987 *** (3,614)	37,400 *** (4,090)	25,748 *** (3,958)	17,298 *** (1,390)
Race and Ethnicity				
Black	-15,766 *** (4,420)	-16,042 *** (4,220)	-6,446 * (3,337)	-2,235 ** (1,029)
Hispanic	-20,865 *** (5,290)	-19,726 *** (5,055)	-3,914 (4,883)	-1,383 (1,590)
Age in 1992				
	-1,714 *** (448)	-1,226 *** (437)	-871 ** (438)	-50 (142)
Number of Interviews				
	5,168 *** (1,706)	6,436 *** (2,176)	1,870 (1,352)	934 * (554)
Respondent Conditions in 1992				
Major Medical Condition	-1,314 (3,383)	-9,983 *** (3,207)	-5,438 (3,357)	-474 (1,045)
Health-Related Work Limit	-7,096 * (3,924)	-918 (3,679)	-8,859 *** (3,635)	-2,217 * (1,170)
Parent or In-Law Needs Help	2,665 (3,395)	3,366 (3,320)	-1,807 (4,311)	938 (1,320)
Spouse Conditions in 1992				
Major Medical Condition	-9,985 *** (3,365)	-6,450 ** (3,142)	...	...
Health-Related Work Limit	-6,187 (4,008)	-2,336 (3,576)	...	...
Respondent Shocks After 1992				
Major Medical Condition	1,273 (2,904)	-5,495 * (2,894)	-3,918 (2,875)	-2,051 ** (964)
Enter Nursing Home	-11,174 (8,506)	-2,103 (8,305)	-657 (5,525)	-1,193 (2,071)
Health-Related Work Limit	-12,177 *** (3,089)	-7,553 *** (2,913)	-9,216 *** (3,104)	-2,278 ** (1,008)
Parent or In-Law Needs Help	5,096 (3,115)	9,263 *** (3,133)	2,537 (3,470)	1,534 (1,230)
Widowed	15,308 *** (6,370)	5,542 (3,873)	...	...
Divorced	-32,173 *** (7,751)	-17,308 ** (8,414)	...	...
Laid Off	-1,856 (3,519)	-7,959 ** (3,656)	-8,072 ** (3,593)	-411 (1,177)
Spouse Shocks After 1992				
Major Medical Condition	-5,561 * (3,098)	-3,503 (2,823)	...	...
Enter Nursing Home	-692 (10,588)	-6,669 (7,376)	...	...
Health-Related Work Limit	-9,929 *** (3,210)	-10,255 *** (2,998)	...	...
Laid Off	-7,361 * (3,823)	-12 (3,690)	...	...
Constant				
	109,332 *** (27,366)	69,633 *** (27,751)	60,482 *** (25,458)	3,963 (8,841)
N				
	3,009	2,857	690	1,402
Median Change in Wealth				
	19,516	15,057	1,973	308
Pseudo R²				
	0.028	0.020	0.011	0.005

Source: Authors' estimates, based on data from the HRS.

Notes: Wealth is expressed in constant 2002 dollars. To adjust for differences in household size, the analysis divides wealth by 1.62 for married couples. Major medical conditions include cancer, stroke, heart problems, lung disease, diabetes, and psychiatric problems.

* $p < .10$; ** $p < .05$; *** $p < .01$

Table 12. Coefficients (with standard errors) from Median Regressions of Change in Real Wealth Between 1993 and 2002 or Death, Adults Ages 70 and Older in 1993, By Gender and 1993 Marital Status and Gender

	Married in 1993		Single in 1993	
	Men	Women	Men	Women
Education				
Less than High School	-5,794 (3,612)	-7,228 (4,656)	966 (2,386)	126 (534)
College Graduate	20,552 *** (4,598)	18,199 *** (6,748)	-2,612 (3,729)	-400 (913)
Race and Ethnicity				
Black	-3,702 (5,746)	-9,723 (7,488)	-1,165 (2,806)	309 (673)
Hispanic	-6,500 (7,045)	-6,029 (10,407)	-3,470 (4,291)	382 (1,037)
Age in 1993				
	626 * (343)	-40 (489)	281 (197)	2 (44)
Number of Interviews				
	2,252 (1,564)	185 (2,236)	1,117 (922)	-248 (230)
Respondent Conditions in 1993				
Major Medical Condition	-3,803 (3,262)	-2,783 (4,104)	1,133 (2,120)	522 (487)
Severe Cognitive Impairment	-2,841 (7,690)	-1,587 (11,150)	-4,118 (4,055)	126 (946)
Spouse Conditions in 1993				
Major Medical Condition	-3,392 (3,270)	3,171 (4,328)	...	...
Severe Cognitive Impairment	-4,195 (10,109)	14,094 (9,528)	...	...
Respondent Shocks After 1993				
Major Medical Condition	733 (3,226)	-7,442 * (4,133)	-1,661 (2,155)	-908 * (487)
Enter Nursing Home	-12,533 *** (4,580)	-19,282 *** (5,613)	-6,399 *** (2,602)	-1,867 *** (556)
Severe Cognitive Impairment	-7,991 (4,952)	-6,306 (6,205)	-540 (3,357)	-1,115 * (644)
Widowed	20,643 *** (4,280)	6,554 (4,505)	...	...
Divorced	-57,738 *** (22,866)	-39,421 (34,904)	...	...
Spouse Shocks After 1993				
Major Medical Condition	-2,717 (3,481)	-1,270 (4,378)	...	...
Enter Nursing Home	-2,949 (5,951)	-14,910 ** (6,891)	...	...
Severe Cognitive Impairment	-925 (6,371)	6,808 (7,331)	...	...
Constant				
	-43,066 (29,591)	21,733 (41,893)	-25,064 (17,269)	858 (4,073)
N				
	1,695	1,295	546	2,318
Median Change in Wealth				
	5,313	6,889	(122)	(373)
Pseudo R²				
	0.008	0.010	0.001	0.001

Source: Authors' estimates, based on data from the HRS.

Notes: Wealth is expressed in constant 2002 dollars. To adjust for differences in household size, the analysis divides wealth by 1.62 for married couples. Major medical conditions include cancer, stroke, heart problems, lung disease, diabetes, and psychiatric problems.

* p < .10; ** p < .05; *** p < .01

Table 13. Probit Estimates [with marginal effects] of the Probability of Having Low Income at the End of the Period, for Adults Age 51-61 Who Do Not Have Low Income in 1992

	Married in 1992		Single in 1992	
	Men	Women	Men	Women
Education				
Less than High School	0.563 *** [0.068]	0.494 *** [0.055]	0.188 [0.033]	0.432 *** [0.112]
College Graduate	-0.155 [-0.014]	-0.370 * [-0.027]	-0.234 [-0.036]	-0.393 ** [-0.083]
Race and Ethnicity				
Black	0.348 *** [0.042]	0.536 *** [0.068]	0.559 *** [0.112]	0.398 *** [0.104]
Hispanic	0.647 *** [0.097]	0.847 *** [0.136]	0.385 [0.078]	0.595 *** [0.177]
Age in 1992				
	-0.035 *** [-0.003]	-0.047 *** [-0.004]	-0.010 [-0.002]	-0.024 [-0.006]
Number of Interviews				
	-0.144 *** [-0.014]	-0.104 * [-0.009]	-0.190 *** [-0.032]	0.003 [0.001]
Respondent Conditions in 1992				
Major Medical Condition	0.145 [0.015]	0.012 [0.001]	0.180 [-0.032]	-0.030 [-0.007]
Health-Related Work Limit	0.203 * [0.022]	0.333 *** [0.036]	0.185 [0.033]	0.589 *** [0.166]
Parent or In-Law Needs Help	0.100 [0.010]	0.035 [0.003]	...	...
Spouse Conditions in 1992				
Major Health Problem	0.039 [0.004]	0.044 [0.004]	...	...
Health-Related Work Limit	0.214 ** [0.023]	0.131 *** [0.013]	...	...
Respondent Shocks after 1992				
Major Medical Condition	0.021 [0.002]	0.065 [0.006]	-0.201 [-0.033]	0.091 [0.022]
Enter Nursing Home	0.394 ** [0.051]	0.363 * [0.043]	0.606 ** [0.140]	0.188 [0.049]
Health-Related Work Limit	0.135 [0.013]	0.283 *** [0.028]	0.039 [0.007]	0.331 *** [0.083]
Parent or In-Law Needs Help	-0.012 [-0.001]	-0.053 [-0.005]	-0.068 [-0.011]	-0.235 * [-0.052]
Widowed	0.031 [0.003]	0.358 *** [0.040]	...	...
Divorced	0.425 ** [0.056]	0.700 *** [0.107]	...	...
Laid Off	0.073 [0.007]	0.089 [0.008]	0.674 *** [0.143]	0.096 [0.024]
Spouse Shocks after 1992				
Major Medical Condition	0.048 [0.005]	0.048 [0.004]	...	...
Enter Nursing Home	0.604 *** [0.092]	0.191 [0.020]	...	...
Health-Related Work Limit	0.207 ** [0.021]	-0.007 [0.001]	...	...
Laid Off	-0.027 [-0.003]	0.002 [0.000]	...	...
Constant				
	0.576	0.931	-0.072	-0.181
N				
	2842	2636	562	1049
Proportion With Low Income				
	0.068	0.071	0.123	0.190
Log Likelihood				
	-601.528	-549.678	-178.354	-443.902
Pseudo R²				
	0.144	0.183	0.148	0.129

Source: Authors' estimates, based on data from the HRS.

* p < .10; ** p < .05; *** p < .01

Table 14. Probit Estimates [with marginal effects] of the Probability of Having Low Income at the End of the Period, for Adults Age 70 and Older Who Do Not Have Low Income in 1993

	Married in 1993		Single in 1993	
	Men	Women	Men	Women
Education				
Less than High School	0.509 *** [0.042]	0.201 [0.025]	0.480 ** [0.076]	0.420 *** [0.105]
College Graduate	-0.112 [-0.008]	-0.076 [-0.009]	-0.135 [-0.020]	0.003 [0.001]
Race and Ethnicity				
Black	0.457 ** [0.047]	0.778 *** [0.148]	0.596 *** [0.120]	0.396 *** [0.109]
Hispanic	0.882 *** [0.129]	0.680 ** [0.127]	0.234 [0.042]	0.637 *** [0.195]
Age in 1993				
	0.027 ** [0.002]	0.018 [0.002]	0.021 [0.003]	0.004 [0.001]
Number of Interviews				
	0.016 [0.001]	-0.113 * [-0.013]	-0.175 ** [-0.027]	-0.113 *** [-0.027]
Respondent Conditions in 1993				
Major Medical Condition	0.122 [0.009]	-0.077 [-0.009]	-0.067 [-0.011]	0.030 [0.007]
Severe Cognitive Impairment	0.566 ** [0.066]	0.505 * [0.085]	0.289 [0.053]	0.162 [0.042]
Spouse Conditions in 1993				
Major Health Problem	-0.045 [-0.003]	0.148 [0.017]	...	...
Severe Cognitive Impairment	0.526 [0.060]	-0.378 [-0.034]	...	...
Respondent Shocks after 1993				
Major Medical Condition	-0.187 [-0.014]	0.152 [0.018]	-0.063 [-0.010]	-0.054 [-0.013]
Enter Nursing Home	0.162 [0.013]	-0.236 [-0.025]	0.188 [0.032]	0.145 * [0.036]
Severe Cognitive Impairment	0.324 ** [0.030]	0.492 *** [0.076]	0.189 [0.033]	0.071 [0.018]
Widowed	-0.281 [-0.017]	0.359 *** [0.044]	...	...
Divorced	1.045 ** [0.178]	... ^a	...	...
Spouse Shocks after 1993				
Major Medical Condition	0.100 [0.007]	-0.055 [-0.006]	...	...
Enter Nursing Home	-0.043 [-0.003]	0.389 ** [0.058]	...	...
Severe Cognitive Impairment	0.173 [0.014]	0.283 [0.040]	...	...
Constant				
	-4.260 ***	-2.810 **	-2.481 *	-1.003
N				
	1535	1169	468	1714
Proportion Falling into Poverty				
	0.051	0.080	0.113	0.171
Log Likelihood				
	-261.965	-283.442	-144.854	-733.721
Pseudo R²				
	0.159	0.133	0.124	0.064

Source: Authors' estimates, based on data from the HRS.

a. Dropped from the model because only three women become divorced, none of whom have low income at the end of the period.

* p < .10; ** p < .05; *** p < .01

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