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Wealth Dynamics During Retirement: Evidence from Population-Level Wealth Data in Sweden

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Key Findings and Policy Implications

This paper examines the wealth dynamics of retirees in Sweden, and how financial circumstances change following divorce or widowhood. It uses data from the full population of Sweden from 1999 to 2007, combining demographic information from the population registry, and income and wealth information from the tax authorities. The paper finds that:

- During years that do not include a major change in household composition, wealth is not drawn down rapidly and in fact increases during many periods, especially during the early years of retirement up to the early 70s. One factor that likely contributes to this pattern during the period we study is the contemporaneous rise in asset prices. Despite this, the patterns do not indicate that retirees are drawing down their wealth rapidly. This finding matches the findings from the United States.

- Both divorce and spousal death, however, lead to large declines in household assets, even if assets are measured on a per-person basis in the case of divorce. This finding, especially the finding of the large effect of spousal death, is somewhat surprising given the extensive nature of social insurance programs in Sweden.

Documenting the asset losses associated with divorce and spousal death are important in informing social security policy design. The similarity of results between Sweden and the United States suggests that the fundamental cause of these asset declines may be a feature of the economic environment that is common across these countries, rather than from out-of-pocket medical or long-term care expenditures, which are more fully insured in Sweden.

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