

Mortality Risk and Household Insurance in the US

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Key Findings and Policy Implications

This paper analyzes how the death of a spouse affects household income, and compares the effects on widows just below and just above the age-60 eligibility threshold for Social Security survivors' benefits. The analysis uses data from federal income tax returns, W-2 forms reporting wages, SSA-1099 forms reporting Social Security benefits, and 1099-R forms reporting other retirement benefits for the years 1999-2011. The paper finds that:

- On average, accounting for earnings, most government transfers, and distributions from retirement accounts, household income declines by about \$25,000 following the death of a spouse. This translates to a net decrease of \$5,500 when adjusted to per capita terms.
- While other forms of income also matter in widowhood, Social Security survivors' benefits play a prominent role in providing income security. These benefits supplement household income, crowding out very little of what is received from other sources. Every \$1 of benefits from Social Security survivors' insurance translates to a \$0.93 increase in overall household income.
- Household with a widow just below the age of eligibility for survivorship benefits experience a decline in overall income of 41 percent, and an increase in labor supply of 7%. Households just above the age of eligibility for survivorship benefits experience a meaningfully smaller decline in income of 34 percent, and no increase in labor supply.

The policy implications of the study are important, because the death of a primary earner is a major source of economic risk to surviving spouses in later life. The findings are helpful in evaluating Social Security's survivorship policies, shedding light on the other resources available to surviving spouses, and the importance of Social Security survivors' benefits in supplementing them.

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