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6 The Wealth and Poverty of Widows: Assets Before and After the Husband's Death

Michael D. Hurd and David A. Wise

The elderly have experienced substantial absolute and relative gains in real income in the past fifteen years.[1] But while the financial status of the average elderly person has improved, many are still in poverty; in particular, single older persons are often poor. Because of measurement error and variation in yearly income, there is considerable movement into and out of poverty from year to year.[2] But even if one adjusts for the difference between permanent poverty and transitory poverty, the high incidence of poverty among the single elderly is a cause for social concern. While some work has been done on the events surrounding the transition of the elderly into poverty,[3] our knowledge of the course of income and wealth as the elderly age is limited.

We first document in this paper the income and wealth status of the elderly, showing that widows and other single elderly are much more likely to be poor than those who are married. Then we seek to explain why the single elderly are poor, with emphasis on widows. We do this by tracing back over time their financial status, concentrating on the variation in income and wealth. In particular, we concentrate on the wealth of widows when they were married and how it changed when their husbands died. The analysis is based on data from the Retirement History Survey.

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We find that about 30 percent of widows and other single elderly are poor by standard definitions; only about 8 or 9 percent of married elderly are poor. Although the widows of prior families who were poor are very likely to be poor, more than three quarters of poor widows were not poor before the husband's death. When the husbands in this group died, enough family wealth was lost that the widows became poor. We find that a good deal of family wealth is lost when the husband dies. Private pension income falls substantially at the husband's death. Other resources do not compensate for this wealth decline. Life insurance is rarely large enough to maintain the economic status of widows. Poor widows typically had little housing wealth when they were married. Thus, poor widows do not live in expensive homes with substantial wealth trapped in housing. In short, in families with modest means the loss in wealth when the husband dies is likely to leave the widow in poverty.

The conclusions reached in the paper are based on a large number of calculations, some of them in the form of detailed tables. To facilitate exposition, we have included in the paper itself only summary tables or illustrative excerpts from the more extensive tables. We begin in section 6.1 with documentation of the wealth and poverty status of the elderly. We then consider the circumstances that led to the disproportionate poverty of widows.

6.1 Wealth, Income, and Poverty Status

In this section we discuss our data and give some wealth and income measures for the elderly population studied. Finally, we offer several definitions of the poverty level. One of them is quite close to the official U.S. Bureau of Labor Statistics definition; using that definition we find fractions in poverty similar to those found in the official statistics. Other, more inclusive, definitions reduce the fraction in poverty substantially.

6.1.1 Data

Our data come from the Longitudinal Retirement History Survey (RHS). The RHS is a self-weighting sample of heads of households who were born in 1905–11. The heads were initially interviewed in 1969, and either they or their survivors were reinterviewed every two years through 1979. Of the original sample, about 63 percent were married couples, about 21 percent widows (original widows), and 16 percent singles. Over the ten years of the survey, many husbands died: by 1979 about 15 percent of the sample are surviving spouses.

The survey collected extensive data on the income, assets, work behavior, and health of the households. We have aggregated more than forty income and asset categories into our income and wealth measures. No single wealth or income measure is completely satisfactory in assessing the economic status of widows; therefore we use a number of measures.

One measure we call bequeathable wealth. Roughly speaking it is the sum of stocks of wealth except housing equity. The main components are savings accounts, stocks and bonds, equity in a business, property, loans receivable, all net of debt. The reasoning behind our use of this wealth measure is that it gives the amount of wealth, other than housing, that may be inherited by a widow; it measures liquidity better than other wealth aggregates; and changes in its level are probably the best measure of desired wealth change. We also study housing wealth, which is the estimated market value of the house less debts on the house. Because it is costly to vary consumption of housing services, housing wealth is less useful as a measure of desired wealth change. It is, of course, useful in understanding economic well-being.

Social Security wealth is the expected present value of future Social Security payments. Annuity wealth is the expected present value of future pension payments. The other income and wealth measures we use are direct responses from the questionnaire.

The value that we place on Medicare/Medicaid services is the per person value transferred into the Medicare/Medicaid system.[4] Our thinking is that it represents the cost of a fair medical insurance policy which is given each year to those eligible. Whether the insurance is valued at its true cost by those who use the services is another question. The value of the services to users who pay very little for them is likely to be much less than the cost of providing them. On the other hand, a large fraction of persons covered by Medicare/Medicaid would be willing to pay much more for the coverage than this cost. Many of these would be unable to purchase such insurance in the private market at the per person value of transfers, and for many it would be unavailable at any price. Thus the average value of such insurance to its recipients may be more or less than its cost. Because of these ambiguities we offer several wealth measures that exclude Medicare/Medicaid.

In our discussion of wealth we usually refer to medians rather than means. This is because the wealth of the elderly is highly skewed; the means may give a misleading impression of the situation of most of the elderly. The drawback is that one cannot sum the medians of the individual components to obtain an aggregate median.

6.1.2 Wealth and Income

As shown in table 6.1, widows have much less wealth and income than married couples. The mean of (nonhousing) bequeathable wealth for married couples is about $58,000 in 1979, but little more than $21,000

Table 6.1 Wealth and Income by Marital Status and by Wealth and Income Category, 1979[a]

	Married		Single		Widowed	
Category	Mean	Median	Mean	Median	Mean	Median
Wealth			Wealth			
Bequeathable	57,953	22,411	17,973	5,084	21,461	5,745
Housing	35,630	30,000	11,267	0	20,020	12,000
Social Security	58,372	60,413	26,067	25,979	26,411	27,784
Pension	16,064	4,447	10,191	0	6,588	0
Medicare/Medicaid	23,422	23,584	11,959	12,408	12,344	12,408
Human Capital	6,198	0	926	0	1,862	0
Other	1,188	0	1,011	0	1,064	0
Income			Income			
Capital Income	2,631	45	898	69	1,079	73
Wages	3,050	0	854	0	925	0
Housing	1,069	900	338	0	601	360
Social Security	4,690	4,926	2,746	2,772	2,732	2,892
Pension	2,605	729	1,513	0	936	0
Medicare/Medicaid	1,662	1,513	1,080	1,246	795	1,246
Other	176	0	141	0	152	0

[a]Figures are in 1979 dollars.

for widows and only $18,000 for other single persons. The medians are much smaller. Half of widows, for example, have less than $6,000 in financial savings. Widows have much less wealth in other categories as well. Their median housing value is only $12,000, compared to $30,000 for couples. More than half have no pension income. The average of pension income is just $936 compared to $2,605 for couples. As we shall see, this difference reflects the fact that many private pensions do not have survivorship rights; but, in addition, the husbands who died during the survey years began with smaller pensions than the husbands who survived during the survey years.

Human capital is the expected discounted value of future labor earnings. At the advanced ages of the RHS population in 1979, the stock is not very important even though earnings are about 19 percent of the income of couples and 13 percent of widows' income.

By far the largest source of income for widows is Social Security: their average benefits are $2,732 per year, somewhat more than half of the mean level of benefits received by couples. A substantial proportion of income for both couples and widows is in the form of medical care provided through Medicare or Medicaid. For widows, we estimate its average value to be about 11 percent of all income.

Data for the other survey years show a pattern very similar to that for 1979, except that Medicare/Medicaid income was much lower in the earlier years. Because eligibility for these programs does not begin until age 65, most of the elderly did not have Medicare/Medicaid income in earlier years.

6.1.3 Poverty

Poverty levels were originally determined by considering the cost of goods and services that would be necessary to maintain a minimum acceptable standard of living. Goods and services include such items as housing and health care. In practice, the poverty level is usually defined by the income necessary to buy these goods and services. If some goods and services are provided through owner-occupied housing or through social insurance, less current income is required to maintain this standard of living, and the definition of a poverty level becomes ambiguous. In principle, the income definition used should correspond to the services included in the market basket used to determine the poverty income level. The ambiguity is especially acute for the elderly; 70 percent live in houses that they own, and many receive large amounts of health care covered by Medicare or Medicaid. Because there is no single unambiguous way to account for these services, we have elected to present estimates of the proportions of persons in poverty based on several income definitions that are progressively more inclusive. The first includes all standard measures of income; the second adds car services and subtracts interest payments on some forms of debt; the third adds the value of housing services from owner-occupied housing; and the fourth adds the annual value of Medicare/Medicaid coverage.[5] In evaluating the change in the financial status of the elderly over time, the latter addition is especially important although difficult to measure precisely.

The mean and median levels of income by these definitions, together with the proportion below the poverty line, are shown in table 6.2 for 1979 and for 1969.

Almost 37 percent of widows were poor in 1979, according to the most limited income definition. Fewer than 10 percent of married couples were poor by this measure. The median income of widows was only 42 percent of the median for couples. Adding the transportation services from owned cars and adjusting for debt servicing (B) changes these numbers very little. Including the cost of renting owner-occupied housing does reduce somewhat the percent below the poverty line.[6] For example, the proportion of widows with incomes below the poverty line is reduced from 36.7 percent to 29.6 percent. We will show below that most widows with low income and total wealth also have little housing wealth. This means that most could not improve their financial

Table 6.2 **Mean and Median Income and Percent below the Poverty Line, by Marital Status and Income Definition, 1969 and 1979**

Income Definition[a]		Married	Single	Widowed
		1969 ($)		
(A)	Mean	10,037	4,295	3,622
	Median	8,350	3,490	2,762
	Percent below poverty line	7.26	30.99	35.11
(B)	Mean	10,072	4,315	3,635
	Median	8,371	3,474	2,783
	Percent below poverty line	7.20	30.92	34.97
(C)	Mean	10,462	4,451	3,847
	Median	8,735	3,601	3,008
	Percent below poverty line	6.27	29.76	31.73
(D)	Mean	10,473	4,451	3,847
	Median	8,748	3,601	3,008
	Percent below poverty line	6.24	29.76	31.73
		1979 ($)		
(A)	Mean	13,056	6,130	5,780
	Median	9,998	4,425	4,248
	Percent below poverty line	9.56	35.92	36.71
(B)	Mean	13,152	6,152	5,825
	Median	10,093	4,439	4,280
	Percent below poverty line	9.32	36.03	36.36
(C)	Mean	14,221	6,490	6,425
	Median	11,035	4,805	4,985
	Percent below poverty line	7.38	33.22	29.62
(D)	Mean	15,884	7,571	7,220
	Median	12,746	5,978	5,790
	Percent below poverty line	2.81	13.85	17.09

[a]Income category definitions are as follows:

(A) includes: Business services/debt, real property services/debt, interest income, wages, Social Security income, SSI, pension income (all forms), income from relatives, workman's compensation, unemployment insurance, AFDC, state cash sickness, income from other public assistance, income from non-Social Security disability, income from private welfare, and income from other private individuals.

(B) includes: (A) + car services and interest on the following debt: car, medical, store, bank, and private.

(C) includes: (B) + housing services/debt.

(D) includes: (C) + Medicare/Medicaid income.

position significantly by converting their housing wealth into current consumption, say by means of a reverse mortgage. Most have little to mortgage: as we reported in table 6.1, median housing wealth was only $12,000. Other single elderly have even less housing wealth, as indicated by the very small reduction in the percent below the poverty line when housing services are counted as income.

Judging by economic theory, our income measure (C) is probably more accurate than (A) or (B): it adds to the usual kinds of income flows from nonfinancial assets. Although there is some difference in income levels from measure (A), the general impression is the same: many more widows and singles than couples are poor. Of course, it is difficult to compare incomes across family sizes as one does not know the right correction for economies of scale. The official poverty scale for the elderly suggests that a single person requires about 79 percent of the income of a couple. The Social Security survivorship rights of a widow suggest a widow requires about 67 percent of the income of a couple. Whichever is correct, it is clear that widows have considerably less, about 45 percent according to (C). Thus, even if there are economies of scale in household production and consumption, at the median widows are considerably poorer than couples.

Counting as income our rather crude measure of the cost of medical care, however, has a very substantial effect on the number of elderly that are classified as poor. The percent of poor widows is reduced from 29.6 to 17.1 by adding the cost of medical care to income. Counting housing services and medical care more than halves the percent of poor widows. The reduction is even greater for single persons, from 35.9 to 13.9 percent. While almost 10 percent of married couples are counted as poor by the standard definition of income, fewer than 3 percent are below the poverty line when medical care and housing services are counted as income. These large changes in the fraction in poverty underscore two important points.

First, it is clear from a comparison of the 1979 with the 1969 numbers that accounting for Medicare/Medicaid can have a substantial effect on the poverty status of the elderly. This happens mainly because we included in (D) an income flow from Medicare/Medicaid only if an individual was eligible. But because the age of eligibility is 65, almost no one had an income flow from Medicare/Medicaid in 1969. By 1979 most of the sample were eligible (except young widows). In addition, benefits under Medicare/Medicaid increased faster than the Consumer Price Index, so the imputed income from the medical programs increased faster than the poverty cutoff. Nonetheless, although there can be dispute about how to measure precisely the benefits from the medical programs, these programs were intended to help the elderly population and by these measures they have done just that.

Second, it is evident from the 1979 numbers that relatively small changes in income can have a large effect on the proportion below the poverty line. For example, a $2,748 increase in income for married couples removes from the poverty roles 70 percent of those who would otherwise be there. This sensitivity to definition indicates, of course, that the incomes of many of the poorest elderly are close to the poverty line.

To avoid confusion, all of the calculations below are based on income definition (A). In addition, all money values are in 1979 dollars. For simplicity, we have not reported sample sizes in the tabulations; differences and other patterns that are revealed in the data should be taken to be statistically significant, however.

6.2 The Husband's Death and the Inducement of Poverty

The death of a woman's husband increases very substantially the likelihood that she is poor. This is shown in the first panel of table 6.3.

The classification in the table is based on the transition between 1973 and 1975. A couple is classified in the first column if the husband and wife were alive in 1973 and in 1975; a couple is classified in the second column if the husband died between 1973 and 1975. The last two columns pertain to singles and widows, respectively. The data for the groups with no change in marital status provide a control for economywide trends that may have affected the changes in poverty rates from one year to the next. About 8 percent of couples are poor. In particular, 8 or 9 percent of couples prior to the death of the husband are poor (column 2).[7] But when the husband dies, 42 percent of the widows are poor.

The table also highlights the strong relationship between the prior income of the couple and the poverty status of the widow. If the couple

Table 6.3 **Percent Poor, by Marital Transition, 1973 → 1975[a]**

Year	Couple → Couple	Couple → Widow	Single → Single	Widow → Widow
		Total Sample		
1971	8	8	30	28
1973	8	9	29	33
1975	7	42	29	24
		Poor in 1973		
1971	50	50	72	48
1973	100	100	100	100
1975	51	85	78	50
		Not Poor in 1973		
1971	4	4	12	19
1973	0	0	0	0
1975	4	37	9	11

[a]The entries are percents. The husbands in the couple-to-widow category died between 1973 and 1975. The data for 1971 are shown for comparison.

was poor prior to the death of the husband, fully 85 percent of the widows are poor; if the couples was not poor, 37 percent of the widows are subsequently poor. Notice that if the husband had not died, only about 50 percent of the couples who were poor in 1973 would be expected to be poor in 1975, as compared with 85 percent if the husband dies.

In demonstrating the enormous movement in and out of poverty, these data also highlight a difficulty in using income as a measure of permanent poverty status. About 50 percent of couples who were poor in 1973 were not poor two years earlier in 1971; about 50 percent were not poor two years later. Of the continuing widows who were poor in 1973, only about 50 percent were poor in 1971. More detailed data show that poverty of widows and singles is more likely than poverty of married couples to persist. But this conclusion is very sensitive to the way that poverty is defined.[8]

Instead of income, suppose that poverty is defined by wealth. Our wealth poverty line is chosen so that the same proportion of households has total wealth below this cutoff as the proportion that has income below the official income-based poverty line. In addition, we distinguish surviving spouse widows from original widows. The husbands of surviving spouse widows died during the RHS survey years; heads of households who were already widows when the survey began are called original widows. Using these definitions, we find the prevalence and persistence of poverty as shown in table 6.4.

Note that the percent of surviving spouses poor in 1969 pertains to the poverty status of these widows when they were married; all were married when the survey began. Original widows are the most likely to be poor.[9] They have been widowed the longest and presumably their husbands died at the youngest ages. The poverty status of original widows and singles is by far the most persistent, based on the usual income definition. But this conclusion is much less obvious if poverty is based on wealth. The poverty status of all groups is much more permanent based on the wealth definition. This is particularly true for married couples and surviving spouses, who appeared to have the greatest fluctuation in financial status based on the income definition.

6.3 Causes of Poverty

We have shown above that the death of the husband in itself induces poverty. To understand how widows come to be poor, we consider their financial position prior to widowhood and how it changed when their husbands died. We also consider other prior attributes, such as health status and the age of the husband at his death, which may be considered proximate causes of poverty. It will help at this point to outline how we shall proceed:

Table 6.4 **Percent Poor and Persistence, by Poverty Definition and Marital Status[a]**

1979 Marital Status	Percent Poor in 1979, Income Definition	Percent Of Total Poor in 1979, Income Definition	Percent Also Poor in 1969, Income Definition	Percent Also Poor in 1969, Wealth Definition
Married	10	20	32	72
Surviving Spouse	34	21	21	60
Original Widow	45	39	60	82
Single	36	20	61	77

[a]The last two columns show the percent of those who were poor in 1979 who were also poor in 1969. Surviving spouses in 1979 were married in 1969.

- We show first that the husband's death is associated with less prior accumulation of wealth; mortality is associated with differential wealth.
- Loss of wealth when the husband dies is then described in detail. It is shown that the prior households of poor widows had much less wealth than the prior households of nonpoor widows. And a larger proportion of the wealth of poor widow households was lost at the husband's death.
- Next it is shown that transfer of wealth to children when the husband dies does not explain the loss of wealth at his death.
- The relationship of earnings to wealth accumulation for poor and nonpoor widows is then explored, albeit in a rather crude fashion, and the potential effect of health on savings is investigated. The households of poor widows apparently accumulated much less wealth per dollar of earned income than the households of nonpoor widows. The husbands in the prior households of widows also had poorer health than the husbands in the continuing couple households. In addition, the husbands of poor widows had poorer health in prior years than the husbands of nonpoor widows.
- Finally, there is a brief discussion of the extent of support from children. It is very limited, but greater for poor than for nonpoor widows.

6.3.1 Differential Mortality

The early death of the husband is itself associated with less prior wealth accumulation. Table 6.5 gives total wealth in earlier survey years by change in marital status between 1977 and 1979. This table presents convincing evidence of some differential wealth by mortality of husbands. The striking fact is that in every year the prior couples of surviving spouses had less wealth than continuing couples, not only in the year just before the husband's death, but even several years before. In this case, they had 7 percent less in 1969, 10 percent in 1973, and 8 percent in 1977; and then 35 percent less after the husband's death. The fact that the households in which the husband died always had

Table 6.5 Median Total Wealth, by Marital Transition 1977 → 1979[a]

Year	Couple → Couple	Couple → Widow	Single → Single	Widow → Widow
1969	$120,919	$112,021	$45,797	$99,380
1973	150,962	136,582	62,488	109,581
1977	144,683	132,821	54,152	80,932
1979	134,953	87,878	46,807	73,312

[a]The column categories are defined by change in marital status between 1977 and 1979. The entries are in 1979 dollars.

lower wealth suggests that the lower wealth is not caused by medical expenses in the year or so before the husband's death. It suggests that lifetime health differences lead to low lifetime earnings and to early mortality. Data on health status presented below tend to support this hypothesis. Such differential wealth apparently contributes to the poverty of widows. We can speculate that the differential mortality is due to lifetime differences in health: earlier in life earnings were lower because of health differences, and later in life the health differences caused earlier death.

We have shown above that original widows are the most likely to be poor. And given that households in which the husband later died had less wealth, prior to his death, than households in which both the husband and wife lived, one might expect that surviving spouse widows would be more likely to be poor the younger the husband was when he died. The evidence is not consistent with this presumption, however. As table 6.6 shows for widows in 1979, there is essentially no relationship between the percent who are poor and the age of the husband at his death. There is also no relationship between the proportion of widows who are poor and the number of years since the husband's death.

6.3.2 Wealth Loss When the Husband Dies

It is clear from the data above that a widow is much more likely to be poor if the prior couple was poor than if the prior couple was not poor. We consider that question in more detail in this section. In particular, we consider the change in wealth when the husband dies. One common explanation for the high incidence of poverty among widows is that the husband's death consumes a large fraction of the family's wealth, for medical or funeral expenses for example. Table 6.7 verifies substantial wealth loss at the husband's death. In this table, we classify according to poverty status in 1977 and consider wealth in 1977 and in 1975. We again present data for those who had no change in marital status during this period, as well as the data for widows in 1977 whose

Table 6.6 **Percent Poor Widows in 1979 by Age of the Husband at His Death**

Age	Percent Poor
59	32
61	36
63	34
65	33
67	37
69	36
71	30

Table 6.7 **Median Wealth in 1975 and 1977, by Marital Transition 1975 → 1977, Wealth Category, and 1977 Poverty Status[a]**

Wealth Category	Couple → Couple	Couple → Widow	Single → Single	Widow → Widow
	Poor in 1977			
Total	$65,556	$85,433	$29,780	$47,250
	62,941	54,159	29,590	48,043
Bequeathable	1,348	4,389	281	1,187
	1,677	3,139	240	772
Life Insurance	1,349	3,372	539	674
	1,198	1,198	0	898
Annuity	4,709	9,804	1,551	3,433
	2,468	1,359	789	1,975
Social Security	46,584	53,981	23,623	32,953
	45,129	35,310	24,303	33,881
Housing	6,743	12,138	0	7,642
	8,624	11,978	0	4,212
	Not Poor in 1977			
Total	149,844	129,353	70,051	95,334
	150,851	92,939	71,549	100,563
Bequeathable	17,532	11,005	8,698	12,542
	17,755	15,810	8,795	13,205
Life Insurance	6,743	6,237	1,349	1,349
	5,151	1,198	1,198	1,198
Annuity	21,704	23,292	19,631	10,399
	25,061	14,938	21,550	12,211
Social Security	70,542	69,484	35,858	43,261
	69,807	44,552	35,943	44,631
Housing	26,973	21,915	0	21,578
	29,945	21,956	0	21,560

[a]The first of the two entries in each category pertains to 1975 (when the husband in the couple-to-widow category was living) and the second entry to 1977 (after he had died). The entries are in 1979 dollars.

husbands were alive in 1975. The first number of each category pertains to 1975 and the second number to 1977.

This table makes it clear that poor widows had much less wealth when their husbands were living than nonpoor widows had. In addition, a substantial portion of the prior couple's wealth was dissipated with the husband's death. Poor widows had 37 percent less wealth after the husband's death and nonpoor widows 28 percent less. But even had the poor widows lost the same percentage, more would have been poor in 1977; one reason they are poor is that they were more likely to have come from poor families.

The major differences are in housing wealth, nonhousing bequeathable wealth, and annuity wealth. Bequeathable wealth of poor widows fell to $3,139 after the husband's death: they had almost no private financial resources at the median except for housing wealth. Housing and bequeathable wealth are, except for life insurance, the forms of wealth in which private savings is held. Social savings through Social Security is more evenly distributed.

In fact the levels of Social Security wealth in 1975 were much closer than other forms of wealth. Social Security wealth fell by about 35 percent for both groups. To the extent that Social Security wealth is proportional to Social Security benefits for people of the same sex and age, and Social Security benefits are related to lifetime earnings, the similarity of Social Security wealth indicates that the two groups of widows came from families whose lifetime earnings were not widely different. Of course, the progressivity of the Social Security benefit schedule dampens earnings differences; nonetheless, the differences between Social Security wealth, on the one hand, and bequeathable wealth and housing wealth, on the other hand, suggest that part of the cause of poverty is a failure of the family to accumulate assets during the working life. These data do not, of course, indicate why some families accumulated assets and others did not; but differential mortality, emphasized below, is consistent with the hypothesis that health was different during the working life. That, in turn, suggests that medical expenditures may have been greater during the working life. Of course, it is certainly possible that rather small lifetime earnings differences lead to large ex post differences in assets at retirement.

Possibly the most striking result is that the private annuity wealth of poor widows was virtually eliminated at the death of the husband, declining from $9,804 to $1,359. On the other hand, widows who were not poor had much more annuity wealth when married and lost much less of it when the husband died, 36 percent instead of 86 percent. Presumably recent legislation will reduce very substantially this kind of wealth loss when a spouse dies.

Neither group had much life insurance, although widows who were not poor had about twice as much as those who were poor. Apparently the life insurance collected by nonpoor widows led to the increase in bequeathable wealth, whereas the bequeathable wealth of poor widows fell at the death of the husband. Whatever the interpretation of the reported face value of life insurance, the table makes it clear that life insurance was not sufficient to make up for the loss in other wealth.

In summary: If the husband in a household dies, the probability that the household is poor typically increases from less than 10 percent to more than 35 percent. We find that households in which the husband died accumulated less wealth than households in which both the husband and wife survived. This effect is especially pronounced for personal savings. The prior couples of poor widows accumulated much less wealth than the prior couples of nonpoor widows. A large fraction of the wealth of the couple is dissipated when the husband dies, and the loss of wealth is greater for poor than for nonpoor widows. In the next sections, we explore further the potential reasons for the lower prior household wealth of widows and the particularly low prior wealth of poor widows.

6.3.3 Transfer of Wealth to Children?

An explanation for the wealth decline at the husband's death is that children receive inheritances. In table 6.8 we give data that allow an informal test of that hypothesis and that also confirm the differential mortality by wealth. Again the table differentiates households according to whether the husbands died in the 1977–79 interval; wealth of the households is shown back to 1969 by that classification. In this table, however, only housing wealth and nonhousing bequeathable wealth are shown, that is, wealth that could be passed on to children. Once again we see differential mortality and wealth loss at the husband's

Table 6.8 Median Housing and Nonhousing Bequeathable Wealth, by Change in Marital Status 1977 → 1979, and by Year and Whether the Household Had Children[a]

Year	Couple → Couple	Couple → Widow	Single → Single	Widow → Widow
		Total Sample		
1969	$38,743	$31,814	$10,022	$27,261
1973	43,303	36,754	9,650	31,623
1977	48,763	47,236	10,604	31,598
1979	51,213	45,046	9,342	29,159
		Households with Children		
1969	37,004	32,235	4,493	26,334
1973	42,434	36,754	4,358	31.426
1977	47,903	47,455	3,856	31,574
1979	50,193	45,439	3,472	28.480
		Households without Children		
1969	49,706	25,603	16,224	34,936
1973	53,337	31,347	14,802	36,585
1977	55,509	37,359	16,041	32.580
1979	59,157	34,340	15,250	32,222

[a]The column categories are defined by change in marital status between 1977 and 1979. The entries are in 1979 dollars.

death. The wealth difference extends back to 1969, at least eight years before the husband's death. We can see that the wealth differential in the year or two before the husband's death is due to a permanent differential, not one caused by sharp wealth declines that would be associated with high medical expenses in the three or four years just preceding the husband's death.

The middle and last panels give wealth changes according to whether the household has children.[10] We see that, if anything, there was more wealth destruction in the households without children than in those with children. This pattern is also found in the other years. Thus it seems unlikely that the wealth decline is due to the transfer of wealth to children. The table also shows that couples with children have substantially less wealth than couples without children. We explore this issue further below, but note now that raising children substantially decreases the retirement assets of households.

One anomaly of the data for this year is that there appears in some years to be little differential mortality in families with children. In comparisons for all other two-year periods differential mortality is revealed. Indeed, the association between early death and the accumulation of personal savings is much more pronounced than the relationship for all wealth, including government-directed savings—Social Security—and saving through firm pension plans. The data typically look like those in table 6.8 for households without children.

6.3.4 Prior Earnings, Wealth Accumulation, and Health

The data on Social Security wealth suggest that continuing couples had somewhat greater wage earnings over their lifetimes than the prior couples of widows, 2 to 7 percent more depending on the year for which the calculation is made. Table 6.9 shows prior Social Security wealth, housing and other bequeathable wealth, and total wealth of couples, by change in marital status in the 1975–77 interval. Those who became widows during that period are distinguished by whether they were poor in 1977.

Prior couples of widows had about 3 percent less Social Security wealth in 1969 than continuing couples; they had about 8 percent less in 1975. The 1969 prior Social Security wealth of poor widows was about 21 percent less than that of nonpoor widows; 1975 Social Security wealth was about 22 percent less.

Differences in wealth accumulation were much greater. If Social Security wealth is taken as an index of earnings and other wealth as an index of savings, households in which the husband died saved much less than households in which the husband did not die. And households in which the death of the husband left a poor widow saved very much less than those in which the widow was not poor. Thus this admittedly

Table 6.9 Median Social Security versus Other Wealth by Marital Transition 1975 → 1977[a]

Year	Couple → Couple	Couple → Widow	Couple → Not Poor Widow	Couple → Poor Widow
		Social Security Wealth		
1969	$49,725	$48,021	$51,368	$40,565
1975	69,414	63,741	69,484	53,981
1977	68,176	40,374	44,552	35,310
		Bequeathable Plus Housing Wealth		
1969	39,581	23,096	32,201	15,196
1975	46,847	26,973	35,065	14,363
1977	49,427	30,722		16,093
		Total Wealth		
1969	121,933	97,627	114,143	72,066
1975	144,527	110,492	129,353	85,433
1977	145,867	78,696	92,939	54,159
		Ratio: Bequeathable Plus Housing Wealth to SS		
1969	0.80	0.48	0.63	0.37
		Ratio: Total Non-SS Wealth to SS		
1969	1.45	1.03	1.22	0.78

[a]The column categories are defined by change in marital status between 1977 and 1979. The dollar entries are in 1979 dollars.

crude indicator of saving suggests that the early death of the husband was associated with considerably less saving out of earnings and that poverty of widows is partially explained by the failure to accumulate assets while the husband was living.[11]

Measures of health status indicate, in turn, that the lower saving rate may be associated with poor health. We have speculated about the role of the husband's health in the eventual poverty of the widow. In table 6.10 we offer direct evidence that poor widows tend to come from families in which the husband had bad health. The table records the average of a subjective health indicator: the higher the value the higher the respondent rates his own health. The health indicators are presented for the same marital transition categories as in table 6.9. The last response in the couple-to-widow column is that of the surviving spouse and is approximately equal to the response of continuing couples, typically that of the husband. We see, for example, that in 1969 the mean response of the husbands of continuing couples was 63, whereas the

Table 6.10 Subjective Health Indicator of Respondent by 1975 → 1977 Marital Transition[a]

Year	Couple → Couple	Couple → Widow	Couple → Not Poor Widow	Couple → Poor Widow
1969	63	49	50	48
1971	61	45	47	43
1973	59	40	42	38
1975	63	37	37	38
1977	61	55	56	54

[a]The column categories are defined by change in marital status between 1977 and 1979.

mean response in that year of the husbands of 1977 widows was 49. In later years the difference becomes much greater: by 1975 the figures are 63 and 37, respectively. In addition, just as poor widows came from families with lower levels of wealth than nonpoor widows, they also came from families in which the husband had worse health. The difference in health indicators between the poor and nonpoor widows is not very pronounced, however, whereas the comparable differences in wealth were very large. Data not shown indicate that poor widows also tend to rate their health worse than nonpoor widows do.

An obvious explanation for the change in bequeathable wealth at the husband's death is medical expenses. We do not have complete medical expenditure data, but we do have information on expenditures for doctor bills. Table 6.11 shows that they are small on average, and that they generally are larger for those surviving spouses who were not poor in 1979 than for those who were poor. If doctor bills are a good indicator of total medical expenditures, it does not appear that poor widows became poor because of unusually high medical expenditures.

6.3.5 Support from Children

Although intergenerational transfers are not the focus of this paper, we offer some evidence on how they might affect the poverty status

Table 6.11 Mean Doctor Bills Paid by Prior Households of 1979 Surviving Spouses, by Poverty Status in 1979 and by Year

Year	Poor	Nonpoor
1969	123	186
1971	142	154
1973	76	108
1975[a]	—	—
1977	164	122

[a]Data were not collected in 1975.

of the elderly. The RHS does not have information on amounts transferred from children. As reported in Hurd and Shoven (1985), the amount transferred from relatives is very small: $12 per year in 1979; $23 per year for single females most of whom would be widows. For this project we collected data on the number of children who gave transfers. We report in table 6.12, by poverty status in 1979, the average number of living children and the average number from whom support is received. Again we see that the poor elderly have more children than the nonpoor. Only a small fraction of the elderly receive any support at all from their children, but the poor elderly are more likely than the nonpoor to receive support, no matter what their marital status. Poor widows are more than twice as likely as poor married couples to receive support. Although transfers may alleviate poverty somewhat, apparently the levels of support from children do not go far in alleviating the poverty of widows.

6.4 Summary and Conclusions

We verified that widows are much more likely than couples to be poor and that they make up a large proportion of the poor elderly; 80 percent are widows or other single individuals. We also verified that widows have substantially less wealth than couples; thus, the high frequency of poverty among widows when poverty is defined by income is also found when poverty is defined by wealth. There is an enormous amount of movement in and out of poverty when it is defined by income, however. The wealth definition provides a much better measure of permanent poverty; defined by wealth, there is much less movement from poor to nonpoor poverty status. Were one to include sources of income such as the value of housing services, the general conclusions about the incidence of poverty would be unchanged, although the

Table 6.12 Number of Children and Support from Them, by Marital Status and Poverty Status, 1979[a]

Entry	Married	Widow	Single
		Poor	
Living Children	4.15	3.32	1.80
Receive Support from	0.21	0.51	0.15
		Not Poor	
Living Children	2.63	2.24	0.78
Receive Support from	0.05	0.08	0.04

[a]The entries are number of children.

proportions classified as poor would be somewhat lower. Our rough valuation of Medicare/Medicaid transfers, however, reduced very substantially the fraction in poverty. It is clear that what is counted as income, together with assumptions about the cost of living for a single person versus a couple, can have an important effect on the proportion of the elderly classified as poor.

The death of the husband very often induces the poverty of the surviving spouse, even though the married couple was not poor. A large proportion of the wealth of the couple is lost when the husband dies. Poor widows had much less wealth when married than nonpoor widows had, and the loss in wealth at the death of the husband was greater for poor than for nonpoor widows. The prior private pension wealth of poor widows was almost totally lost when the husband died. The prior households of poor widows had accumulated very little housing or other bequeathable wealth. The value of life insurance was typically very small and, among subsequently poor widows, rarely enough to offset the loss in wealth when the husband died.

In addition, families of husbands who died during the period of the survey had accumulated less wealth than those who lived until the end of the survey; those in which the widow was poor had accumulated even less. The earnings of husbands who died were less, judging by Social Security wealth, than the earnings of those who lived throughout the survey; those who left poor widows earned the least. The crude evidence that we were able to use suggests also that the prior households of poor widows saved much less than the households of widows who were not poor. There is some evidence that the lower earnings of those who died, especially those who left poor widows, may have been associated with poor health. Indeed, the prior households of poor widows may have saved less than the prior households of nonpoor widows because of poor health as well. Poor health may have caused low earnings and low savings early in life, and then an early death later in life. In short: the prior households of poor widows earned and saved less, more of the smaller accumulated wealth was lost at the death of the husband, and the absence of survivorship benefits or life insurance ensured that the loss in wealth would leave the widow poor thereafter.

Several important issues have been addressed only tangentially in this paper but should be addressed in future research. An emphasized above, there is a need to develop a more robust measure of poverty that includes income transfers like medical insurance that were intended to help the elderly. The valuation method could produce wide swings in the fraction of the elderly that is thought to be poor.

The data that we reported suggests that saving differentials may have played an important role in the poverty of widows. The RHS data can be used to obtain accurate measures of lifetime earnings for each individual in the sample and these earnings can then be compared to individual lifetime wealth accumulation. This would yield a measure of saving out of earnings for each individual. The rate of saving can in turn be related to the likelihood that the death of the husband will leave a poor widow. The extent to which differential saving is due to differences in individual attributes, such as health status and number of children, should also be established.

Indeed, more formal analysis of change in wealth with change in marital status should in future research be based on the aggregation of individual changes over time rather than the comparison of medians of wealth and other measures by marital status. This work should be pursued in such a way that the effect of different definitions of poverty on the apparent well-being of the elderly can be formally analyzed.

Having estimated the loss in wealth when the husband dies, we are also now in a position to consider the amount and cost of survivorship insurance that would be necessary to prevent poverty among widows. We can also determine the effect on the income of widows of the recent legislation on survivorship arrangements that will be incorporated in firm pension plans in the future. This may have changed the importance of and need for other forms of life insurance.

Many original widows are in poverty in the earliest year of the RHS, and they remain in poverty over the ten years of the survey. Their Social Security benefits, which typically will be based on their deceased husbands' earnings, are lower than average. This is at least a partial explanation for original widows' poverty. For this group in particular, life insurance could have had an important effect on the financial fortunes of the widows. Yet we have little information on the life insurance coverage of their husbands. Future research can explore this issue by studying more carefully the life insurance coverage of the husbands who are still working in the RHS. In fact, the RHS has a special section in several of the survey years in which surviving spouse widows were asked specific questions on the estate left by the husband. In this way, one could learn more about the wealth value of life insurance and its potential effect on the poverty status of widows.

A final topic that we need to pursue further is the change in poverty levels as the RHS population ages. To the extent that widows maintain their financial position by drawing down bequeathable wealth, the prospect is for greater poverty in the future. We cannot explore this issue simply: what is needed is a utility-based model that will explain how consumption and wealth holdings vary with age. Such a model could be used to forecast future poverty levels. Initial work on this topic is represented by the companion paper to this one (Hurd, ch. 7, in this volume).

Notes

1. See, for example, Hurd and Shoven (1983).

2. See, for example, Lillard and Willis (1978); Burkhauser, Holden, and Myers (1986); and Holden, Burkhauser, and Myers (1986).

3. See, for example, Burkhauser, Holden, and Feaster (1988) and Holden, Burkhauser, and Feaster (1987).

4. A similar treatment is followed by Hurd and Shoven (1983).

5. The precise definitions are found in the footnote to table 6.2.

6. Our measure (C) is a rough measure of the added income that could be obtained from selling the house and investing the equity in a bond that would both maintain its real value and return an additional 3 percent. Thus (C) is a slight understatement, but not a great understatement, of the income potential from converting housing equity to measured income flow.

7. Although these data based on the 1975–77 transition suggest that the prior poverty rate of households in which the husbands died were about the same as those in which they did not, the data for all possible comparisons made it clear that this is not the case. In ten of a possible fourteen comparisons, the continuing couple group had a lower rate of poverty than the couple-to-widow group. In the other four comparisons the rates were equal.

8. Errors in reporting will of course affect the proportion classified as poor and the change in the proportion from one survey period to the next. If a large fraction of those classified as poor are close to the poverty line, as the data above suggest, reporting errors will have a greater effect.

9. More detailed data show that new surviving spouse widows are the most likely to be poor. But original widows are more likely to be poor than surviving spouses who have been widows for a few years.

10. Because the sample averaged about 70 years old, very few of the children would be living in the couple's household.

11. This is not to say that ex ante these households made inappropriate saving decisions, or that they were based on incorrect knowledge or predictions about the future; they may have chosen to consume more earlier, running greater risk of limited financial circumstances later in life. According to this view, luck was against them when they became old.

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Comment John B. Shoven

When considering poverty among the elderly, one has to take into account the fact that about 30 percent of single elderly are poor, while only 8 or 9 percent of married elderly are poor. This paper concentrates on the situation of widows and examines the wealth and income paths which frequently lead them into poverty. I think it assembles some very useful facts along the way and I like the paper very much. I take it to be my job, however, to qualify their result in the areas where I think qualification is needed.

The first comment I have concerns Hurd and Wise's four income measures of table 6.2. They show that the measures with increasing inclusiveness (adding sequentially the value of imputed car services and household debt service, imputed housing services, and the value of Medicaid and Medicare) lead to lower poverty rates. The most important inclusion is Medicaid and Medicare, which lowers the 1979 rate of poverty among single elderly from 33+ percent to 13.85 percent. The authors discuss the difficulty in assessing the true value of Medicaid and Medicare (they value the insurance at cost, which I feel is entirely reasonable). They do not, however, discuss the cutoff income level for poverty. It seems to me that there would be higher cutoff levels for more inclusive definitions of income. The official poverty level of income should be defined either as the amount of cash income one needs over and above the in-kind government medical insurance program, which I believe is the correct interpretation of current practice, or it should be defined as the sum of the cash and imputed income one needs to live at a certain level of decency. Keeping the critical level of income unchanged for four different definitions of income does not seem appropriate.

The figures in the paper indicate that the transition from couple to widow is accompanied by a sharp increase in poverty. There is even

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a 37 percent incidence of poverty among widows of households which had not previously been classified as poor. I suspect that a large part of what is going on is due to the fairly arbitrary choice of equivalency scales in the definition of poverty. The official poverty line suggests a single needs 79 percent as much as a couple. However, with Hurd and Wise's calculation procedure, Medicaid and Medicare is only half as much for singles and Social Security retirement benefits are two-thirds as great for widows whose earnings histories do not qualify them for more than 50 percent of their husband's benefits. The widow's Social Security retirement benefits can fall by as much as half for those who use their own work history as a basis of computation rather than their husband's earnings record. It may be that the key to the finding that poverty sharply grows with widowhood is simply a reflection of these ratios and the importance of Social Security and Medicaid/Medicare in the resources available to the elderly. The authors could have shed more light on this if they had given some statistics reflecting the distribution of incomes near the poverty line. This would have allowed the readers to assess whether it is true that lots of households are moving from slightly over the poverty line to slightly under it, for example.

I take the author's evidence on wealth composition before and after widowhood to indicate that health expenses are not a major factor in the fall into poverty. The median amount of liquid (bequeathable) wealth is small both before and after widowhood. As the authors state, the big change in wealth occurs in the present value of Social Security retirement benefits and in annuities. This suggests the design of public and private pension systems is the major explanation.

One of the interesting findings of this paper is that the wealth accumulation of those who die in the sample is lower even several years before their death. This may indicate poorer long-term health or other factors. The interpretation of this finding, as well as others in this paper, is hampered by the lack of reporting of statistical significance and sample sizes.

I conclude that this is an interesting and important paper which opens as many questions as it closes. It suggests that further attention be paid to the definition of poverty income, to equivalency scales, and to the design of pension benefits. An interesting and important topic is the degree to which these facts have changed among the newly retired, when the default option for all private pensions has been a joint survivor annuity. Better new information could be assembled if we had a Retirement History Survey for a more recent cohort of retirees.