Widows Waiting to Wed? (Re)Marriage and Economic Incentives in Social Security Widow Benefits

• Research Question: Does money affect the decision to get married?
• Research Strategy:
  – Describe incentives – benefit/cost analysis
  – Provide evidence
    • Anecdotal
    • Data
      – regression
Describe incentives - Social Security Widow Benefits

- Eligibility: Unmarried widows who were married to persons who worked in Social Security covered employment.
- Age of Eligibility: 60
- Monthly Benefits at age 60: 71.5% of the deceased husband’s Benefit amount, called the Primary Insurance Amount (PIA)
  - 100% if wait until 65
- Penalty: Loss of eligibility if remarry before age 60
Describe incentives - Social Security Spousal Benefits

• Eligibility: Women married to persons who worked in Social Security covered employment.
• Less generous than widow benefits for two reasons:
  – Age of Eligibility: 62
  – Monthly Benefits at age 62: 37.5% of the husband’s PIA
    • 50% if wait until 65
Describe incentives - Example

• Assumptions
  – A 60-year-old woman has a life expectancy of 22.9 years and a 62-year-old man has a life expectancy of 17.5 years
  – A widow considers marriage to a man 2 years her senior
  – Widow never worked
  – Deceased and prospective husband both have PIAs of $1,000 dollars
  – Calculate Present discounted value at age 60
Describe incentives -
Calculations of SS Benefits waits until Age 60

• At Age 60
  – files for widow benefits under deceased husband’s PIA
  – receives $715/mo in widow benefits for 17.5 yrs

• At age 78.5, 2nd husband dies
  – files for widow benefits under his PIA
  – receives $1000/mo in widow benefits for remaining 5.4 years of life

• Value = $152,000
Describe incentives - Calculations of SS Benefits Does Not Wait until Age 60

• At Age 62
  – files for spousal benefits under spouse’s PIA
  – receives $375/mo in spousal benefits for 15.5 yrs

• At age 78.5 2nd husband dies
  – files for widow benefits under his PIA
  – receives $1000/mo in widow benefits for remaining 5.4 years of life

• Value = $88,000
Describe incentives - Other Possibilities

• Fully Insured Widows
  – if high lifetime earnings, relative to deceased spouse, possible that she only receives *retired-worker* benefits
    • Could claim widow benefit at age 60 but own benefit not until age 62

• Divorced Women
  – if married for 10 years to a man who worked in covered employment, she is eligible for a *surviving divorced spouse* benefit upon his death
    • same marriage penalty as widows
Describe incentives - Law Changes over Time

• Before July 1965
  – widows lost eligibility for widow benefits if they remarried at any time

• July 1965
  – allowed widows to remarry after age 60 and keep an amount equal to half of the deceased's PIA

• December 1977 (effective January 1979)
  – allowed widows to remarry after age 60 and still claim a full widow benefit
Hypotheses

• H1: The 1979 law reduced the cost of remarriage at age 60 or older and raised the benefit of waiting for widows under 60. We hypothesize that the 1979 law would increase the marriage rate for women aged 60 years and older and decrease the marriage rate for women under age 60.

• H2: The cost of waiting decreases as a widow approaches 60, therefore the marriage rate should decrease as widows approach age 60.

• H3: Divorced women do not face such high benefits of waiting until age 60, therefore these same trends should not exist for them.

• “…Mr. Wyrick revealed the incredible story of thousands of senior citizens living together ‘in sin’ because legal marriage might deprive them of pension or Social Security. The series of articles brought confirmatory reports of similar situations throughout the United States, and promptly alerted our lawmakers despite their initial consternation. Gerontologists and psychiatrists ought to be especially aware of the situation, for it created socio-psychiatric problems which may have sequelae with which we must be prepared to deal.”

• In Mr. Wyrick’s words:
  • “I wrote my first article on January 10, 1965. Fortunately, Cong. Pepper noticed it and a few days later introduced his first bill in Congress; the law was modified last fall and went into effect in January of this year.”
Anecdotal Evidence

• Much of the renewal of their [John and Alicia Nash] marriage has taken place since the Nobel [Prize in Economics]. … Now there is even some discussion of remarrying, although in what was perhaps an assertion of Nash’s old insistence of “rationality,” they gave up the idea up as impractical, as so many older couples have in light of the attendant tax and Social Security penalties. However, a certificate is not of real importance. They are a real couple again.

Vital Statistics Data

- National Center for Health Statistics
- Contains marriage certificate data from 36 states for all years between 1968 and 1995
- Includes age and previous marital status
- Lacks information on income and Social Security eligibility
Regression

- **dependent variable**: remarriage rate of single year/age group
- **independent variables all else equal (ceteris paribus)**: age, year, policy change
- What else might we like to have?
Figure 1: Widows’ Marriage Rates
By Year and Age Category

Percentage Difference from 1968

Year


Law Passed Law Enacted

50 to 59 year olds 60 to 70 year olds
Figure 2: Divorced Women’s Marriage Rates By Year and Age Category
Figure 3: Widows’ Marriage Rates by Age and Year Category

Percentage Difference from Age 50

Age

1968-1978
1979-1995
Figure 4: Divorced Women’s Marriage Rates by Age and Year Category

Percentage Difference From Age 50

Age

Figure 5: Widows’ Marriage Counts Around 60th Birthday by Year Category

Months from 60th Birthday

Percentage Difference from -24 months from 60th Birthday

-60
-50
-40
-30
-20
-10
0
+10
+20
+30
+40
+50
+60

-23 -20 -17 -14 -11 -8 -5 2 4 7 10 13 16 19 22

Figure 6: Divorced Women’s Marriage Counts Around 60th Birthday by Year Category
Conclusions

• In 1979, the year that the penalty for remarriage was reduced for those over age 60, the marriage rate for widows increased.
• Since 1979, clear pattern of low marriage counts immediately preceding widows’ 60th birthdays, followed by large increases in the number of marriages on and immediately following widows’ 60th birthdays.
• Not the same pattern for divorced women.