

To Smooth or Not to Smooth: Consumption Responses to Life Insurance Payouts*

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Abstract

There is a sizable academic literature studying the demand for life insurance products. Little is known, however, about how surviving spouses utilize life insurance payouts. We study individuals 50 and older and ask how they adjust their savings and bequest behavior after life insurance payouts are received. Using an event study framework and propensity score matching, we find that, compared to widow(er)s not receiving payouts, widow(er)s receiving life insurance payouts experience statistically and economically significant, contemporaneous increases in savings, decreases in mortgage values, and increases in bequest motives. These results are largely driven by those in the lower half of the wealth distribution, who experience increases in checking account balances of 300% on average at the time of spousal death. The proceeds are fleeting, however, as we show that these individuals even end up more likely to be receiving government support after the initial death period (i.e., 2 or more years after spousal death) than widow(er)s without life insurance payouts. In the long-run, individuals in the upper half of the wealth distribution notably reduce their consumption, which comes after using proceeds to decrease mortgage balances and as inter vivos transfers in the period immediately after spousal death.

Keywords: life insurance, consumption smoothing, bequests, financial literacy, wealth

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1 Introduction

A longstanding debate in the life insurance literature centers on whether households purchase coverage primarily to smooth a surviving spouse’s consumption or to leave bequests to children. Yet, we know remarkably little about how proceeds are actually used when received. If consumption smoothing is the primary motive, as [Hubener et al. \(2014\)](#) argue in their portfolio choice model of retired couples, then life insurance payouts should prevent consumption shocks for surviving spouses and have little effect on intended bequests to children. If instead bequest motives are central to demand, as argued by [Bernheim \(1991\)](#), then life insurance proceeds should strengthen bequest intentions and increase transfers to the next generation. While theory makes clear predictions about how proceeds should be used, existing empirical work has focused on who purchases life insurance rather than how payments are utilized.

While [Hubener et al. \(2014\)](#) validate their consumption smoothing theory using data on life insurance holdings, they do not observe payout receipt or subsequent household behavior. In addition, [Harris and Yelowitz \(2018\)](#) find that life insurance receipt improves surviving spouses’ well-being, though they do not examine consumption directly or track how household finances and bequest intentions evolve over time. This paper fills this gap by directly examining - for the first time, to our knowledge - how life insurance payouts affect consumption, household finances, and bequest behavior among surviving spouses. We study this question among individuals aged 50 and older, for whom the need for life insurance to replace lost labor income diminishes, but the ability to make up shortfalls through additional work becomes constrained. These choices also matter for more than just immediate consumption needs: wealth near time of retirement has stark implications for individual life expectancy and the quality of years lived ([Bavafa et al., 2023](#)).

Using Health and Retirement Study (HRS) data over the 2002-2022 period, we compare surviving spouses who receive life insurance payouts to those who do not. We employ a stacked event study design to track outcomes for up to six years following spousal death,

among individuals experiencing widowhood in the same period.¹ This allows us to control for the mental health and emotional impacts of spousal death (Siflinger, 2017) and isolate the effect of receiving life insurance proceeds. In addition, we employ propensity score matching to better make the case for estimates that reflect the true role of life insurance proceeds in changing spending and savings patterns.

Consistent with the consumption smoothing prediction from Hubener et al. (2014), we find that recipients experience no differential consumption shocks relative to non-recipients in the period immediately following spousal death. Recipients experience immediate increases in checking and savings account balances, which they use to provide inter vivos transfers to children, make more large purchases, and pay down their mortgages. Individuals also tend to experience an increase in their perceived likelihood of leaving a large bequest (of over \$10,000). Outside of the immediate post-death period, however, those responses all dissipate. They are replaced with noticeable decreases in consumption and increases in Supplemental Security Income (SSI) participation beginning two and four years after spousal death.

These findings mask substantial wealth-related heterogeneity. In the immediate post-death period, the inter vivos transfers results are exclusive to higher-wealth individuals and the bequest likelihood findings are exclusive to lower-wealth individuals. In the long term, the government assistance results are driven entirely by lower-wealth recipients while wealthier recipients experience decreases in total consumption. Our results are robust to excluding receipt of other lump-sum settlements and the dropping of outliers in terms of absolute asset changes. Taken together, these findings suggest the identification of ex-ante consumption smoothing and bequest motives via life insurance proceeds usage ex-post may vary not only across the wealth distribution but also over the time since spousal death. The results also reveal important limitations in life insurance’s effectiveness for lower-wealth households in the long run. This pattern may partly reflect differences in informal support, as life insurance

¹We recognize that the propensity to purchase life insurance is not a random item. As a result, we also discuss how our results may be affected by levels of education, financial literacy (Lusardi and Mitchell, 2008, 2011), and shock behind a spouse’s death.

recipients receive substantially less help from family and charity following widowhood, which may offset some of the payout’s benefit for lower-wealth households.

This paper contributes to several strands of the existing literature. Most directly, we provide the first empirical test of whether life insurance proceeds are used as theory predicts for consumption smoothing (Hubener et al., 2014) or bequest enhancement (Hurd, 1989; Bernheim, 1991; Inkmann and Michaelides, 2012). Beyond Harris and Yelowitz (2018), we combine detailed consumption measures from CAMS with HRS household finance data to test whether proceeds achieve their purposes of smoothing consumption or enhancing bequests. Second, we also contribute to understanding how households use lump-sum financial infusions, extending work on pension settlements (Clark et al., 2014) and disability payments (Autor et al., 2019) to the life insurance context. Third, our findings speak to the literature on financial consequences of widowhood (Auerbach and Kotlikoff, 1991), documenting that life insurance provides effective but temporary support, particularly for lower-wealth households. Finally, we contribute to the literature on wealth and health by documenting null health effects from life insurance receipt, suggesting that temporary wealth increases have limited impact on subjective health compared to more permanent wealth (Schwandt, 2018; Bavafa et al., 2023).

In the next section, we review the literature and outline the theoretical background in more detail. In Section 3, we discuss the HRS data and provide summary statistics. Our methodology for understanding the role of proceeds in consumption, bequest motives, and other measures is in Section 4; those results follow in Section 5. Section 6 then concludes.

2 Theoretical Development and Literature Review

Over the last century, life insurance demand has been an oft-studied portion of the literature, with focuses on understanding why and when individuals demand life insurance (Huebner, 1920; Yaari, 1965; Lewis, 1989; Fitzgerald, 1989; Li et al., 2007; Liebenberg et al., 2012). This paper, however, investigates what individuals do with life insurance payouts,

which is related to but also distinct from demand. It is related in that we study the use of these funds by surviving spouses who were (presumably) involved in the purchasing decision.² Yet it is distinct given the time lag between purchase and payout receipt. Below, we review the relevant work with respect to the response to life insurance payouts specifically and lump-sum settlements generally.

2.1 Life Insurance Payout Utilization

Early work in this area reviews bequest motives and how economists’ understanding of life insurance benefits has developed over time (Modigliani, 1988), including the development of the idea that not all wealth is accumulated inter-generationally but may be accumulated “from scratch by each generation.” Modigliani draws on seminal work by Keynes (1936) to identify two important motives that provide separate demand incentives in life insurance demand: pure bequest motives (i.e., leaving money for the next generation) and provision motives (i.e., to assist surviving spouses with consumption smoothing) – two motives that drive separate reasons for purchasing life insurance (Hubener et al., 2014).

With this inspiration in mind, our paper follows, in part, the theory developed by Hubener et al. (2014). In that paper, the authors develop a model that pieces apart the portfolio and term life insurance choices made by a couple who may care about bequest motives or consumption smoothing for a surviving spouse. These authors’ model finds, and is empirically validated with data from the same source we use here (the HRS), that the primary reason to buy term life insurance for couples is to smooth consumption rather than to leave bequests. Ultimately, they identify that inequality in household income (annuitized income, too) is positively associated with term life insurance take-up, indicative of what the consumption smoothing hypothesis would suggest.

We empirically estimate these theoretical predictions in two ways. First, we study consumption smoothing and note that, while seminal work has surely motivated this avenue (Lewis, 1989; Auerbach and Kotlikoff, 1991), the size and existence of consumption smooth-

²Though it is important to note that marital situations are not straightforward. Recent work has found that marital bargaining power is important, especially along gender lines (Wong, 2015).

ing effects empirically remain ex-ante ambiguous. On one hand, [Hurd and Wise \(1987\)](#) show that widowhood comes with severe poverty implications; on the other hand, [Fitzgerald \(1989\)](#) finds that life insurance may leave surviving spouses better off than if the spouse had survived. [Harris and Yelowitz \(2018\)](#) also study life insurance and find it may positively impact well-being by lifting individuals out of poverty. Second, we study bequests. Prior work in this space has created a debate about the relevance of bequests, where it is acknowledged that bequest motives alter the view of insurance to individuals ([Bernheim, 1991](#)), as nicely reviewed in a recent paper ([Inkmann and Michaelides, 2012](#)).

2.2 Evidence from the Usage of Other Lump Sum Payouts

Outside of life insurance proceeds, there exists empirical evidence as to how individuals use lump-sum payouts from other sources. Lump-sum payouts are common in retirement plans ([Clark et al., 2014](#)), for example, with evidence that many of the payments are spent, not saved ([Poterba and Venti, 1998](#)). These payments are also common in workers' compensation insurance ([Thomason and Burton, 1993](#)). In this space, [Rennane \(2015\)](#) finds large liquidity effects of lump-sum payments for lower earners, which is also consistent with the consumption smoothing effects of benefit increases described by [Bronchetti \(2012\)](#). Disability insurance payments more broadly have also been causally linked to smoothed consumption ([Autor et al., 2019](#)).

3 Data

This paper employs longitudinal data from the Health and Retirement Study (HRS) - which includes the RAND version of the data - and the Consumption and Activities Mail Survey (CAMS) to examine the relationship between the receipt of life insurance and consumption choices. The HRS is a nationally representative sample of adults over 50 years of age and their spouses, regardless of their age, that has been administered every two years (i.e., in two-year waves) since 1992. Unlike several other datasets, the HRS includes comprehensive questions on life insurance receipt, along with other wealth, demographic, and

spousal characteristics. While the HRS covers nearly 30 years of data, we restrict our analysis to the sample period ranging from 2002 to 2022, as several variables used in this study were introduced in 2002. The collection of CAMS data began in 2001 and has since surveyed a subset of HRS respondents every two years; the CAMS data we use ends in 2019.

As detailed in the following section, we ultimately compare those who received life insurance to those who did not, among those who were widow(er)s. In Table 1 below, we present summary statistics - measured in the period before spousal death - for the individuals aged 50 and over in the HRS that experience widowhood (before we merge any data with CAMS). Column (1) is for the overall sample; columns (2) and (3) split the overall sample into those not receiving payouts and those receiving payouts, respectively. 61% of our overall sample has a life insurance policy that will pay proceeds to a surviving spouse. Ultimately, this surviving spouse is the individual we track post-death. CAMS participation is also consistent between groups, with roughly one-third of overall respondents being surveyed in the CAMS data.

In our data, respondents are the survivors. In this case, most of the survivors are women, which is consistent with the idea that women live longer than men, and younger than their deceased partner. In addition, surviving women tended to receive life insurance more often than surviving men. In terms of race and ethnicity, most of our sample is white, and Hispanic survivors are often not receiving life insurance payouts. In general, households receiving life insurance tend to earn more in income and have more wealth. As expected, the surviving respondent is in better health (indicated by a lower value for self-reported health) than their deceased partner (measured the wave before death).

While 61% of our sample has an active life insurance policy, it is also important to understand how big eventual life insurance payouts tend to be. Figure 1 provides the distribution of life insurance payout amounts, all indexed to 2022 US dollars, within our sample (winsorized at the 5th and 95th percentiles). As is clear, the median amount is not very large - roughly \$15,000. The distribution is, as expected, heavily right-skewed with several higher

Table 1: Baseline Characteristics by Life Insurance Receipt

	(1) Overall	(2) Did Not Receive Life Insurance	(3) Received Life Insurance
<i>Sample Coverage and Insurance</i>			
Any life insurance	0.61 (0.49)	0.37 (0.48)	0.87 (0.34)
CAMS Participation	0.33	0.32	0.35
<i>Demographics (Respondent)</i>			
Male	0.30 (0.46)	0.34 (0.47)	0.25 (0.43)
White	0.82 (0.38)	0.79 (0.40)	0.85 (0.36)
Black	0.13 (0.33)	0.14 (0.34)	0.12 (0.32)
Hispanic	0.10 (0.29)	0.14 (0.34)	0.05 (0.22)
Other race	0.05 (0.22)	0.07 (0.25)	0.03 (0.18)
Age	73.32 (9.80)	73.44 (10.21)	73.19 (9.33)
Spouse age	75.88 (9.86)	76.04 (10.35)	75.71 (9.29)
Years of education	12.16 (3.13)	11.83 (3.48)	12.53 (2.65)
<i>Socioeconomic Status</i>			
Household income (PV)	74,225 (169,993)	66,146 (87,230)	82,923 (227,357)
Total assets (PV)	621,714 (1,611,032)	602,612 (1,740,463)	642,283 (1,459,068)
<i>Labor Supply and Retirement</i>			
Respondent working for pay	0.21 (0.40)	0.19 (0.39)	0.22 (0.42)
Any retirement income	0.40 (0.49)	0.34 (0.47)	0.47 (0.50)
<i>Health Status</i>			
Respondent's self-reported health	2.97 (1.06)	3.07 (1.10)	2.86 (1.00)
Spouse's self-reported health	3.75 (1.11)	3.75 (1.14)	3.74 (1.08)
Observations	3,867	2,005	1,862

Notes: Table reports baseline characteristics measured in the wave prior to death, defined as event time = −2 relative to widowhood. Means are shown with standard deviations in parentheses directly below. Income and asset variables are expressed in present value (PV) dollars. Any life insurance is defined as an indicator equal to one if the respondent reports holding a life insurance policy prior to widowhood for which the spouse is the designated beneficiary, and zero otherwise. Self-reported health is measured on a 1-5 scale, with 1 being in excellent health and 5 being in poor health. Source: HRS 2002-2022.

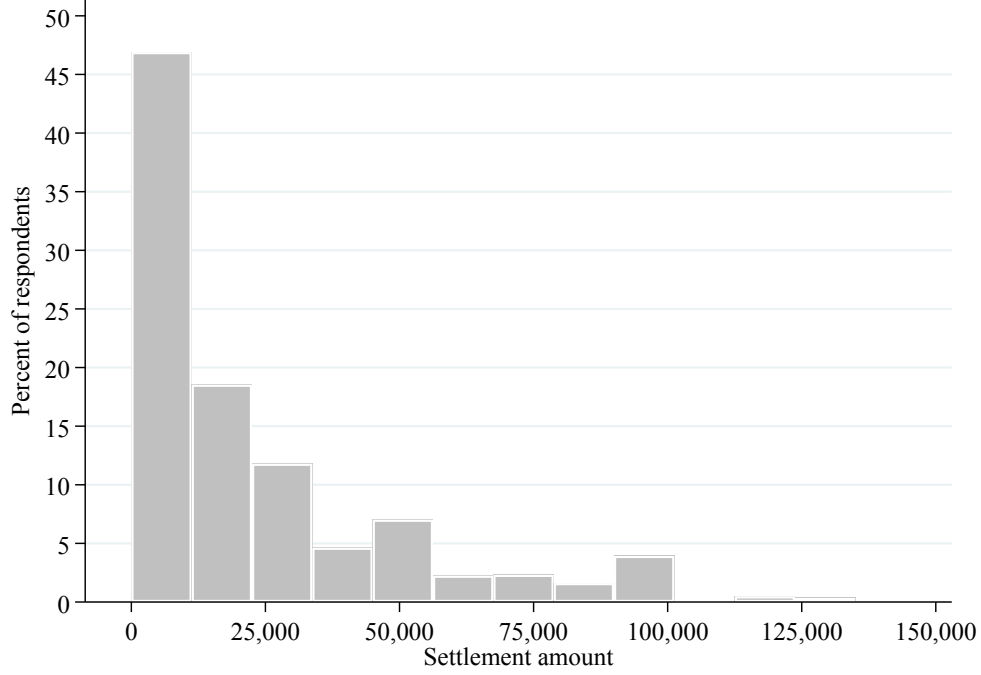


Figure 1: Distribution of Life Insurance Settlement Amount

Notes: Graph depicts the distribution of life insurance payouts in 2022 US dollars. Amounts are winsorized at the 5th and 95th percentiles. Source: HRS 2002-2022.

face amounts. One thing to note here is that respondents sometimes report their annuitized payouts in their monthly format, so many of the very low payout amounts reflect that. In the empirical analysis that follows, we do not utilize the amount of payout, only a binary payout receipt indicator.

4 Methodology

Our goal is to compare individuals, after accounting for them becoming widow(er)s, receiving and not receiving life insurance payouts. To assess this impact, we adopt a stacked event study framework, as follows:

$$Y_{i,t,k} = \alpha + \sum_{r=-2, r \neq -1}^3 \beta_r (ReceivedLI_i * 1(RelTime_{t,k} = r)) + \theta X_{i,t,k} + \gamma_{i,k} + \lambda_{t,k} + \epsilon_{i,t,k}. \quad (1)$$

For widowed individual i in wave t and stack k , $ReceivedLI_i$ equals 1 if the respondent received a life insurance payout and 0 otherwise.³ This relies on accurate wave reporting of life insurance receipt; Appendix Table A.1 suggests life insurance receipt is almost always reported in the wave of one’s spousal death (roughly 95%). This term is interacted with $RelTime_{t,k}$ indicators, which track the waves before and after reporting spousal death (at $r = 0$), where t tracks the wave and k defines the stack’s wave of reported death.⁴ The omitted group of these indicators is the wave prior to the wave in which one reported spousal death and received life insurance payments. Thus, the β_r coefficients examine how the difference in the outcome variables between widow(er)s receiving payouts and widow(er)s not receiving payouts changed over time. $X_{i,t,k}$ represent variables that vary relative to time and across individuals (such as age in quadratic form and interview type). Additionally, individual-stack and wave-stack fixed effects are added to the model. Standard errors are clustered at the individual level, and survey response weights are used.

A concern in our setting when comparing life insurance recipients to non-recipients, even among a group of similarly-affected people with respect to widowhood, is that households buying life insurance are fundamentally different than those that do not with respect to their financial decision-making. This form of selection is not completely solvable in this context, but it is also not specific to our sample - the comparability differences between life insurance holders and non-holders is a general phenomenon. To address this concern, our baseline estimates employ propensity score matching along several dimensions, measured just before spousal death: household wealth level, age, gender, whether a deceased spouse’s pension continues to be paid after death, and the deceased spouse’s self-reported health (to address concerns about the level of surprise associated with a death). While our sample size is an important limitation, Appendix Table A.2 provides information as to the matching

³We drop individuals from the sample who reported receiving life insurance from a spousal death in multiple waves. This avoids us having to make assumptions about which reporting period was the “correct” one. We also drop individuals reporting a divorce during the sample period.

⁴Note the summation uses r with intervals of one; this is in terms of waves, which are each two years. This suggests we employ event studies from four years prior to spousal death to six years after spousal death, omitting the period two years prior to spousal death.

process. In general, matching improves the comparison, though the initial differences were often small, reducing unmatched differences for household wealth (10.1%), pension status (16.5%), spousal self-reported health (39.8%), and gender (44.1%). Matching does not have much of an impact on age, going from an average difference of -0.163 years before matching to 0.2 years after matching.

Another partial way to address this is to take a complete wealth picture of people as they arrive at the widowhood moment and then study if the results differ on that dimension.⁵ As a result, our baseline results separate people along the wealth distribution and show clear differences. Our baseline results also adjust for any role that this wealth snapshot plays over time, where individual-stack fixed effects would include wealth quartile at the time of widowhood, for example.⁶

We understand that more permanent differences between people, such as financial literacy scores and educational attainment, may also play a role in selection. Table 2 shows differences above and below the median of the wealth distribution within our life insurance group (“treated”) and the group that received none (“control”). Analyzing the same three questions laid out by Lusardi and Mitchell (2011), Panel A shows there are clear differences between widow(er)s receiving life insurance and those who do not in terms of perfect financial literacy scores. Yet, there are also clear gaps between wealth groups. With a sample of individuals over age 50, financial literacy differences between wealth groups (with wealth measured in the wave just before death and not varying over time) are likely to be a fixed element and picked up by the fixed effects included in Equation 1. The same is true for the clear differences in education in Panel B, which we discuss in Section 5.⁷

⁵This is similar in nature to work that has used wealth at age 65 to study wealth-related differences in longevity (Bavafa et al., 2023).

⁶Appendix Figure A.1 shows that life insurance receipt differs significantly across these types of wealth quartiles (measured pre-death).

⁷It is not possible to match on financial literacy, nor examine how key results differ by cutting the sample based on financial literacy, due to a constrained sample size with respect to financial literacy question availability.

Table 2: Life Insurance Receipt, Financial Literacy, and Education

	Control		Treated	
<i>Panel A: Financial literacy (perfect score)</i>				
Bottom half of wealth distribution	65.3%	(N = 75)	74.0%	(N = 73)
Top half of wealth distribution	73.2%	(N = 71)	84.1%	(N = 63)
<i>Panel B: Education (less than 12 years)</i>				
Bottom half of wealth distribution	44.4%	(N = 1,087)	28.0%	(N = 843)
Top half of wealth distribution	16.2%	(N = 914)	11.2%	(N = 1,019)

Notes: Table reports descriptive means by treatment status in period before spousal death and whether total wealth was above or below the median, measured in the pre-death baseline year. *Financial literacy (perfect score)* is defined as an indicator equal to one for respondents with a perfect score on the financial literacy questions. *Education (less than 12 years)* is defined as an indicator equal to one if the respondent completed fewer than 12 years of education. *N* denotes the number of non-missing observations used to compute each percentage. Source: HRS 2002-2022.

5 Results

Below, we present our results from estimating Equation 1 across various outcomes. First, we study the overall sample of widow(er)s over the age of 50. Then, we study the wealth-related heterogeneity in these overall results. In both cases, we study how life insurance payout receipt alters household finance (assets, bequest motives, gifts, and government program involvement).

5.1 Overall Sample of Widow(er)s

Table 3 first assesses the relationship between life insurance receipt and consumption using the CAMS data, overall and along the pre-death wealth distribution. Columns (1), (3), and (5) suggest a downward shock to total consumption, which includes spending in all categories measured within the CAMS data. The shock to overall consumption is only marginally statistically significant but economically meaningful, amounting to a 20-30% decrease. The shock is late-arriving (only two years post-death and after) and concentrated among those in the top half of the wealth distribution. Those in the lower half of the wealth distribution do not experience the same downward shock to consumption, but they do experience an increase in the number of big purchases made in the year of spousal death

(which is an increase of more than 60%). These big purchases include vehicles, household appliances (refrigerators, dishwashers, laundry machines, and televisions), and computers. These stories are examined in more detail below, where changes in household finance decisions are analyzed with wealth-driven heterogeneity.

Table 3: Event-Study Estimates – Life Insurance and Consumption

	Overall		Below Median Wealth		Above Median Wealth	
	(1) Total Consumption	(2) Big Purchases	(3) Total Consumption	(4) Big Purchases	(5) Total Consumption	(6) Big Purchases
Event = -4	1909.1 (1711.5)	0.0379 (0.0461)	888.6 (2115.8)	0.0570 (0.0728)	2376.2 (2488.1)	-0.000537 (0.0591)
Event = 0	-1320.7 (1884.9)	0.121** (0.0552)	1246.0 (1638.1)	0.173** (0.0764)	-2791.5 (2911.4)	0.0871 (0.0785)
Event = +2	-4007.2* (2155.5)	0.0485 (0.0608)	1552.9 (1665.5)	0.0794 (0.0813)	-7467.1** (3347.4)	0.0425 (0.0878)
Event = +4	-4139.3 (2696.3)	0.0543 (0.0728)	1626.9 (1957.3)	0.110 (0.0991)	-7556.8* (4149.3)	0.0356 (0.106)
Event = +6	-6165.5* (3353.4)	0.0164 (0.0795)	687.6 (2511.8)	-0.0108 (0.112)	-10433.6** (5138.0)	0.0587 (0.116)
Control mean (pre-period)	20,588.02	0.18	15,068.06	0.26	28,082.03	0.16
Observations	2,870	4,881	1,106	1,907	1,576	2,594

Notes: Table reports event-study estimates of the interaction between life insurance receipt and event time relative to spousal death in a propensity-score-matched sample. Event = 0 corresponds to the year of widowhood, with Event = -2 omitted as the reference period. “Total Consumption” is expressed in 2022 US dollars. “Big Purchases” reflect the count of purchases, within a wave, for large-value items including: vehicles, refrigerators, laundry machines, dishwashers, computers, and televisions. All specifications include individual-stack and wave-stack fixed effects, along with time-varying controls for age (quadratic) and interview type (proxy versus self interview). Estimates are weighted using survey response weights, and standard errors clustered at the individual level are reported in parentheses. Control mean (pre-period) reports the mean of each outcome among the control group in the pre-widowhood period. Statistical significance given by: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$. Source: HRS 2002–2022.

Table 4 provides estimates related to measures of household finance, where the first row provides an assessment of pre-trends.⁸ With waved data, the current event study structure already uses 10 years of data, so we are limited in how long of a pre-death period we can utilize. Across all outcomes, however, this coefficient is statistically insignificant, suggesting widow(er)s who receive life insurance payouts are not observably different in these outcomes from those who do not. In the first column, there is clear evidence of an immediate pass-

⁸Appendix Table A.3 estimates the results without propensity score matching, and the findings are consistent.

through of life insurance payouts into higher checking (and savings) account balances. The shock is economically notable, where checking and savings account balances increased by 62% relative to the baseline mean. The precision of these estimates is lacking in many instances, but the coefficients suggest checking and savings account balances are spent down quickly, with only a statistically significant, positive effect in the year of receipt.

There appears to be little pass-through to safe savings and stock balances in columns (2) and (3). One reason for this is that individuals receiving payouts used the proceeds to pay down their mortgages, which is what column (4) suggests. In the wave of spousal death and in the following wave, mortgage balances are reduced differentially for recipients, with statistically and economically significant estimates. In fact, the results suggest mortgage balances are reduced by 27% and 32%, relative to the baseline mean, in those two periods, respectively. There is decreased precision over the rest of the event window, but the lower balances continue in magnitude.

It is unclear directly from these results what is the counterfactual. In essence, what is the experience of the control group in this setting? Appendix Figure A.2 shows that the positive coefficient from Table 4 on checking and savings account balances is a true increase for the group receiving life insurance relative to a steady trend through the widowhood period for the group not receiving life insurance. The descriptives also suggest that the negative coefficient documented for mortgage balances is coming from an even larger mortgage decline for the group receiving life insurance, relative to small decline for the group not receiving life insurance.

While there appears to be no role for life insurance to alter donations to charities in columns (7)-(8) of Table 4, there is a temporary and statistically significant increase in the probability of leaving a bequest in the future in column (5). This small effect (6% relative to the baseline mean) appears in the year of life insurance receipt and the two years that follow, before dissipating entirely. There is also a temporary, notable (14% of the baseline mean) increase in transfers to children in the year of widowhood in column (6). Combined with

Table 4: Event-Study Estimates – Life Insurance Payouts and Household Finance Measures

	Outcome Variable								
	(1) Checking Account	(2) Safe Savings	(3) Stock Balance	(4) Mortgage Owed	(5) Bequest ≥ \$10,000	(6) Transfer to Kids	(7) Any Donation	(8) Donation Amount	(9) SSI Receipt
Event = -4	-3193.3 (3127.1)	62.61 (1959.6)	-22391.6 (16738.6)	432.3 (2530.9)	-0.00405 (0.0104)	-0.00926 (0.0155)	0.00272 (0.0125)	723.6 (753.8)	-0.00529 (0.00400)
Event = 0	22390.6*** (4076.4)	2433.8 (1677.9)	483.7 (11745.3)	-8033.7*** (3004.1)	0.0332*** (0.0109)	0.0417** (0.0173)	0.00425 (0.0129)	214.0 (238.4)	0.000801 (0.00378)
Event = +2	6032.5 (4955.1)	1275.5 (1822.5)	6465.2 (15925.3)	-9636.6*** (3159.9)	0.0522*** (0.0132)	0.0224 (0.0199)	-0.000963 (0.0173)	302.8 (391.7)	0.0127** (0.00554)
Event = +4	7365.1 (7231.4)	3072.7 (2479.6)	29542.5 (23666.9)	-5780.0 (4153.5)	0.0234 (0.0155)	0.0299 (0.0230)	-0.00300 (0.0193)	303.8 (457.9)	0.0206*** (0.00772)
Event = +6	1935.7 (6573.5)	4144.3 (3648.6)	29631.2 (29670.1)	-6145.7 (6164.0)	0.000906 (0.0189)	0.0407 (0.0263)	-0.00668 (0.0229)	382.1 (548.0)	0.0192** (0.00910)
Control mean (pre-period)	35,926.31	11,509.01	98,493.39	29,316.47	0.59	0.30	0.38	1,825.37	0.08
Observations	12,590	14,553	14,155	11,532	14,706	15,403	15,860	14,814	15,893

Notes: Table reports event-study estimates of the interaction between life insurance receipt and event time relative to spousal death in a propensity-score-matched sample. Event = 0 corresponds to the year of widowhood, with Event = -2 omitted as the reference period. Checking account is defined as the dollar amount held in checking and savings accounts, with zero assigned to respondents reporting no such account. Safe savings are defined as balances held in certificates of deposit and Treasury bills. Bequest expectations are measured as the self-reported probability of leaving a bequest of at least \$10,000. Transfers to children indicate whether any transfer occurred. Charitable giving includes an indicator for whether any donation was made and the total dollar amount donated. Supplemental Security Income (SSI) receipt is measured using an indicator for program participation. All dollar-valued outcomes are expressed in constant 2022 dollars. All specifications include individual-stack and wave-stack fixed effects, along with time-varying controls for age (quadratic) and interview type (proxy versus self interview). Estimates are weighted using respondent-level survey weights, with standard errors clustered at the individual level in parentheses. Statistical significance given by: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$. Source: HRS 2002–2022.

the results in column (1) and the consumption results above, this might suggest individuals move some of their proceeds into other savings vehicles, pay down their mortgages, and give some as gifts to children, leading to net decreases in consumption in the years that follow.

Notably, column (9) suggests that individuals receiving life insurance proceeds are also more likely to end up receiving government support in the form of SSI. These effects appear after the initial death period, beginning around two years post-death. The point estimates are meaningful statistically and economically: the estimates represent increases in the likelihood of receiving SSI benefits of 16-25% relative to the baseline mean. We further explore this result in the following subsection, where we discuss wealth-related heterogeneity. By way of preview, these results are driven exclusively by individuals in the bottom half of the wealth distribution.

Does the receipt of life insurance meaningfully change subjective health measures? Table 5 shows that there is little persistent role for life insurance in meaningfully affecting survivors' health expectations relative to survivors without life insurance payouts. This is true for self-rated health, the reporting of disabilities, and the perceived probability of living to age 75. In each case, our results are fairly precise - we are able to rule out economically significant shocks to any of the three outcomes, outside of a temporary, positive shock to self-reported health two years post-death (which is accompanied by a pre-trend).

5.2 Heterogeneity Along the Wealth Distribution

Inspired by the strong relationship between receiving life insurance payouts and the increased chance of receiving SSI benefits, we now ask about how the overall results from Table 4 differ along the wealth distribution. To do so, we split the baseline sample at median wealth in the wave before spousal death. Tables 6 and 7 present the results for individuals below and above the median, respectively. Across the wealth distribution, payouts pass through into immediately higher checking and savings account balances. These gains are quite large for less wealthy individuals, with checking and savings account balances registering nearly 300% larger in the year of receipt than at the baseline mean. We acknowledge the pre-trend

Table 5: Event-Study Estimates – Life Insurance and Health Expectations

	Outcome Variable		
	(1)	(2)	(3)
	Self-Rated Health	Disability Indicator	Chance of Living to Age 75
Event = -4	-0.0415* (0.0249)	0.00414 (0.0113)	1.652 (1.720)
Event = 0	-0.0191 (0.0245)	-0.00228 (0.0114)	-4.314** (2.145)
Event = +2	-0.0829*** (0.0314)	-0.000976 (0.0129)	1.436 (2.971)
Event = +4	-0.0196 (0.0361)	-0.0162 (0.0160)	0.943 (3.342)
Event = +6	-0.0328 (0.0442)	-0.0104 (0.0198)	3.465 (4.107)
Control mean (pre-period)	3.040	0.195	57.398
Observations	15,801	15,815	2,362

Notes: Table reports event-study estimates of the interaction between life insurance receipt and event time relative to spousal death in a propensity-score-matched sample. Event = 0 corresponds to the year of widowhood, with Event = -2 omitted as the reference period. Self-rated health is measured on a 1-5 scale, with 1 being in excellent health and 5 being in poor health. Disability indicator is equal to one if a respondent reports any limitation to activities of daily living (ADLs) and zero otherwise. Chance of living to age 75 measures the respondent's reported self-reported probability on a 0-100 scale. All specifications include individual-stack and wave-stack fixed effects, along with time-varying controls for age (quadratic) and interview type (proxy versus self interview). Estimates are weighted using survey response weights, and standard errors clustered at the individual level are reported in parentheses. Control mean (pre-period) reports the mean of each outcome among the control group in the pre-widowhood period. Statistical significance given by: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$. Source: HRS 2002–2022.

coefficient is notable in columns (1) and (9). As to column (1), our education results below show that in the group with less than a high school diploma, which generates the SSI results most strongly, there is no pre-trend with respect to either checking and savings account balances or SSI receipt. The pre-trend in column (9) of Table 6 is also different directionally than the post-death effect, suggesting minimal bias.

Three of the other notable effects from the entire sample's results above - namely, mort-

Table 6: Event-Study Estimates - Life Insurance and Household Finance, Bottom Half of the Wealth Distribution

	Outcome Variable								
	(1) Checking Account	(2) Safe Savings	(3) Stock Balance	(4) Mortgage Owed	(5) Bequest ≥ \$10,000	(6) Transfer to Kids	(7) Any Donation	(8) Donation Amount	(9) SSI Receipt
Event = -4	5640.7* (2910.9)	330.9 (668.1)	4991.6 (3101.4)	673.7 (4817.6)	-0.00413 (0.0178)	-0.00729 (0.0234)	0.0195 (0.0211)	102.5 (90.73)	-0.0110* (0.00664)
Event = 0	15122.0*** (3423.8)	1240.6* (687.5)	7395.8** (3648.3)	-13831.3** (6643.3)	0.0577*** (0.0191)	0.0289 (0.0261)	0.0240 (0.0199)	210.5 (170.6)	0.00702 (0.00662)
Event = +2	6571.2*** (2470.6)	824.8 (741.4)	-2378.3 (3881.9)	-17428.3*** (5641.5)	0.0977*** (0.0244)	0.0202 (0.0311)	-0.00662 (0.0266)	-40.33 (85.71)	0.0236** (0.00952)
Event = +4	10735.5* (5964.5)	1222.3 (951.0)	4337.0 (4080.1)	-10602.3 (6545.0)	0.0148 (0.0289)	-0.00633 (0.0341)	0.0158 (0.0296)	87.13 (102.5)	0.0373*** (0.0127)
Event = +6	-1320.7 (2783.9)	84.61 (900.0)	250.7 (4225.3)	-18557.4 (12469.8)	0.0391 (0.0349)	0.0744* (0.0389)	0.0259 (0.0357)	96.88 (117.6)	0.0488*** (0.0176)
Control mean (pre-period)	5,029.93	895.77	1,297.25	32,633.20	0.40	0.20	0.21	505.77	0.13
Observations	5,873	6,795	6,782	4,474	6,454	6,846	7,027	6,692	7,026

Notes: Table reports event-study estimates of the interaction between life insurance receipt and event time relative to spousal death in a propensity-score-matched sample, among those in the bottom half of the wealth distribution (measured pre-death). Event = 0 corresponds to the year of widowhood, with Event = -2 omitted as the reference period. Checking account is defined as the dollar amount held in checking and savings accounts, with zero assigned to respondents reporting no such account. Safe savings are defined as balances held in certificates of deposit and Treasury bills. Bequest expectations are measured as the self-reported probability of leaving a bequest of at least \$10,000. Transfers to children are measured using an indicator for whether any transfer to children occurred. Charitable giving includes an indicator for whether any donation was made and the total dollar amount donated. Supplemental Security Income (SSI) receipt is measured using an indicator for program participation. All dollar-valued outcomes are expressed in constant 2022 dollars. Control mean (pre-period) reports the mean of each outcome among the control group in the pre-widowhood reference period (event time -2). All specifications include individual-stack and wave-stack fixed effects, along with time-varying controls for age (quadratic) and interview type (proxy versus self interview). Estimates are weighted using survey response weights, and standard errors clustered at the individual level are reported in parentheses. Statistical significance given by: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$. Source: HRS 2002-2022.

gages owed, bequest motives, and SSI receipt - are also entirely explained by wealth differences. The decrease in mortgage values is driven almost entirely by the bottom half of the wealth distribution. The same is true for the small, temporary increase in bequest motives; the wealthiest appear generally more likely at baseline to leave large bequests, so a temporarily statistically significant coefficient later in the event window holds little economic meaning. For the group in the bottom half of the wealth distribution, the dissipation of bequest motive changes nearly mirror the dissipation of changes in checking account, savings account, and mortgage balances. This is consequentially matched with a notable increase in the probability of receiving SSI benefits. In fact, the entire response relative to SSI receipt comes from less wealthy individuals. This is not a surprise, given that high-wealth individuals would find SSI qualification difficult, but the data bear out the timing with some clarity: as the influx of resources fades, financial precarity reappears in the form of being more likely to need government support roughly two years after spousal death. After using at least part of their initial proceeds on big purchases and mortgage payments, at six years post-death, individuals in the bottom half of the wealth distribution are five percentage points more likely to be receiving SSI benefits, which are poverty-driven. This is an increase of more than one-third relative to the baseline mean. These results suggest that those who receive life insurance payouts in the lower half of the wealth distribution may not be able to pair this new wealth with any other liquidity, resulting in quick spend-down and unmet financial needs (and SSI receipt may explain why there is little consumption shock in the long term).

What might explain this wealth-related heterogeneity? First, it is true that wealthier individuals hold more life insurance in terms of total face values across all policies. Appendix Figure A.3 suggests that, in the lowest wealth quartile, about 18% of individuals have total face values over \$50,000; the same value for the highest wealth quartile is roughly 36%. Beyond just face value, Appendix Figure A.4 shows that the group without life insurance is much more likely to receive help from family and charity after widowhood, which may be more persistent than one-time life insurance proceeds and may drive these results. This

Table 7: Event-Study Estimates - Life Insurance and Household Finance, Top Half of the Wealth Distribution

	Outcome Variable								
	(1) Checking Account	(2) Safe Savings	(3) Stock Balance	(4) Mortgage Owed	(5) Bequest ≥ \$10,000	(6) Transfer to Kids	(7) Any Donation	(8) Donation Amount	(9) SSI Receipt
Event = -4	-8632.9 (5295.3)	-350.5 (3649.8)	-50162.1 (33187.9)	972.4 (2859.7)	-0.00534 (0.0123)	-0.00902 (0.0211)	-0.0129 (0.0152)	1177.7 (1373.2)	-0.00104 (0.00488)
Event = 0	28370.8*** (7162.5)	3715.6 (3142.3)	-4831.4 (23908.3)	-4967.5* (2769.8)	0.0158 (0.0123)	0.0498** (0.0231)	-0.00727 (0.0170)	212.4 (430.8)	-0.00423 (0.00426)
Event = +2	4051.7 (9062.6)	2122.4 (3433.0)	16461.5 (34562.4)	-6009.4 (3746.9)	0.0209 (0.0139)	0.0206 (0.0264)	0.00898 (0.0228)	566.5 (759.0)	0.00324 (0.00658)
Event = +4	2345.7 (12608.4)	5218.4 (4584.8)	56144.2 (52596.0)	-4566.9 (5406.6)	0.0326* (0.0167)	0.0512 (0.0322)	-0.0107 (0.0256)	428.3 (923.4)	0.00705 (0.00944)
Event = +6	608.8 (12041.6)	8081.0 (6604.4)	61396.2 (66319.9)	-1253.6 (7057.3)	-0.0189 (0.0209)	0.0125 (0.0372)	-0.0207 (0.0304)	565.6 (1107.8)	-0.00434 (0.00925)
Control mean (pre-period)	78,595.28	25,727.04	234,686.10	26,717.89	0.81	0.42	0.58	3,496.27	0.02
Observations	6,279	7,278	6,893	7,048	7,841	8,093	8,356	7,656	8,395

Notes: Table reports event-study estimates of the interaction between life insurance receipt and event time relative to spousal death in a propensity-score-matched sample, among those in the top half of the wealth distribution (measured pre-death). Event = 0 corresponds to the year of widowhood, with Event = -2 omitted as the reference period. Checking account is defined as the dollar amount held in checking and savings accounts, with zero assigned to respondents reporting no such account. Safe savings are defined as balances held in certificates of deposit and Treasury bills. Bequest expectations are measured as the self-reported probability of leaving a bequest of at least \$10,000. Transfers to children are measured using an indicator for whether any transfer to children occurred. Charitable giving includes an indicator for whether any donation was made and the total dollar amount donated. Supplemental Security Income (SSI) receipt is measured using an indicator for program participation. All dollar-valued outcomes are expressed in constant 2022 dollars. Control mean (pre-period) reports the mean of each outcome among the control group in the pre-widowhood reference period (event time -2). All specifications include individual-stack and wave-stack fixed effects, along with time-varying controls for age (quadratic) and interview type (proxy versus self interview). Estimates are weighted using survey response weights, and standard errors clustered at the individual level are reported in parentheses. Statistical significance given by: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$. Source: HRS 2002-2022.

suggests that life insurance may crowd out other family assistance. Appendix Table [A.4](#) suggests the difference is statistically and economically meaningful: individuals receiving life insurance are 13 percentage points less likely to receive financial help than non-recipients in the bottom half of the wealth distribution. There is no meaningful difference, however, between life insurance recipients and non-recipients in the group with above median wealth. Given that a majority of life insurance policies in the lower wealth group are small policies (and 30% are even less than \$10,000), contemporaneous usage of proceeds on death expenses and mortgage payments likely quickly exhausts any influx of capital. This finding motivates future work to better understand the optimality of these decisions and any potential behavioral frictions.

How does education drive these wealth-related differences? Appendix Tables [A.5](#) and [A.6](#) provide our main results below and above the median of the wealth distribution, respectively, within groups having attained less than a high school degree and having attained a high school degree (or more). With limited sample sizes, the general precision of the results is diminished, though the results are largely consistent across the education spectrum. We do learn, however, that advanced education levels are an important driver of the decrease in mortgage balances - where the more highly educated group, both below and above the median of the wealth distribution, pays down more of their mortgage balances. As may have been expected, the increase in SSI receipt in the long run after spousal death is driven by those less educated within the bottom half of the wealth distribution.

5.3 Robustness

Some individuals receiving life insurance payouts are also more likely to receive other lump-sum income, including from insurance or pension settlements, which may be uniquely tied to the widowhood period. Appendix Table [A.7](#) replicates our main results but excluding individuals receiving these lump-sum settlements. The results are remarkably consistent. The same is true when examining robustness to outliers in asset shocks. Appendix Tables [A.8](#) and [A.9](#) assess the robustness of our results to excluding the top 5% and top 1% of asset

changes post-death, respectively. This refers to absolute changes in total financial assets. The results are generally consistent with our main results, suggesting that key results are not driven by outliers in the size of life insurance payments received (or other large asset gains at the same time).

6 Conclusion

While there is a broad literature on the demand for life insurance and its determinants, there is little evidence of how individuals utilize their life insurance payouts. Seminal work in this space has suggested that there ought to be two rationales for purchasing life insurance: to leave a bequest or to smooth a surviving spouse’s consumption ([Modigliani, 1988](#)). In building on this work, [Hubener et al. \(2014\)](#) suggest that the rationale is most likely to be for consumption smoothing. In this paper, we set out to directly test whether life insurance payouts smooth consumption.

Consistent with the consumption smoothing prediction from [Hubener et al. \(2014\)](#), we find that recipients experience no differential consumption shocks relative to non-recipients in the period immediately following spousal death. Recipients experience immediate increases in checking and savings account balances, which they use to provide inter vivos transfers to children, make more large purchases, and pay down their mortgages. Individuals also tend to experience an increase in their perceived likelihood of leaving a large bequest (of over \$10,000). Outside of the immediate post-death period, however, those responses all dissipate. They are replaced with noticeable decreases in consumption and increases in Supplemental Security Income (SSI) participation beginning two and four years after spousal death. These findings mask substantial heterogeneity. In the long term, the government assistance results are driven entirely by lower-wealth recipients while wealthier recipients experience decreases in total consumption. Taken together, these findings suggest identification of the (ex-ante) consumption smoothing and bequest motive nature of life insurance proceeds using ex-post decisions may vary not only across the wealth distribution but also over the time since

spousal death.

These findings have important implications for retirement security policy. While life insurance effectively smooths consumption in the immediate period, it provides only temporary support, especially for lower-wealth households, who ultimately become more reliant on government assistance. This suggests private insurance and public safety nets play complementary rather than substitutable roles in protecting against widowhood’s financial shock.

While our design isolates the effect of payout receipt from the mental health effects of spousal death, some limitations remain. Selection into life insurance purchase is not random. While we show our results are robust to eliminating asset-change outliers and those who receive other lump sum settlements, unobserved differences between purchasers and non-purchasers may remain even after we employ propensity score matching. Additionally, the two-year intervals between HRS waves limit our ability to measure immediate short-term responses to payout receipt. Future research could examine the adequacy of life insurance for lower-wealth households and how life insurance interacts with other retirement resources.

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Appendix - Additional Tables and Figures

Intended for online-only publication.

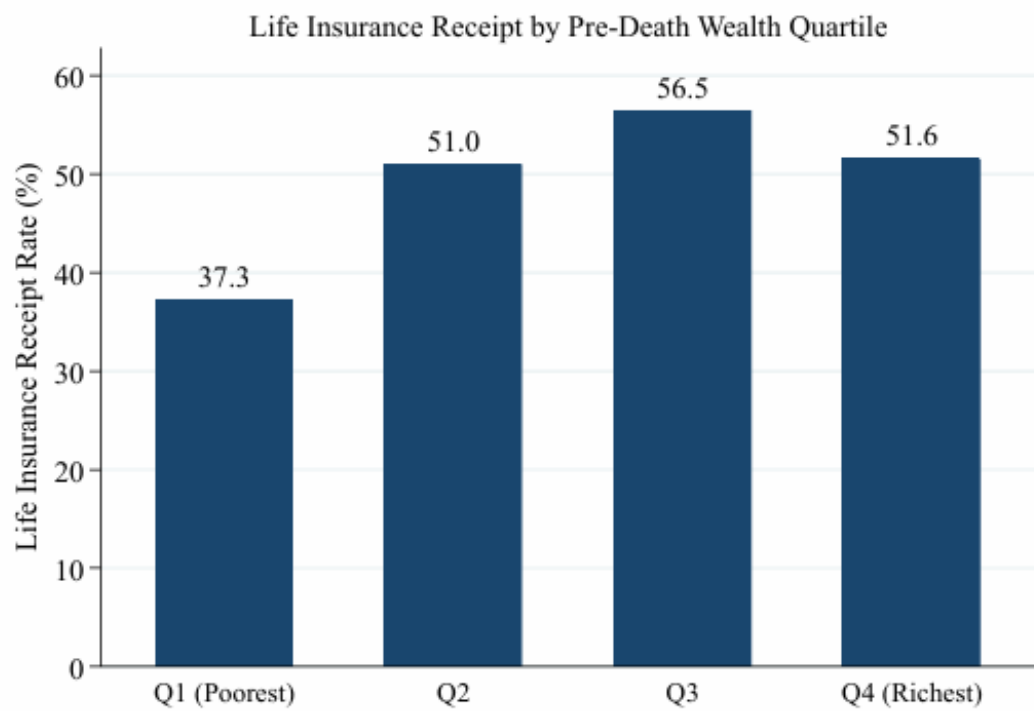
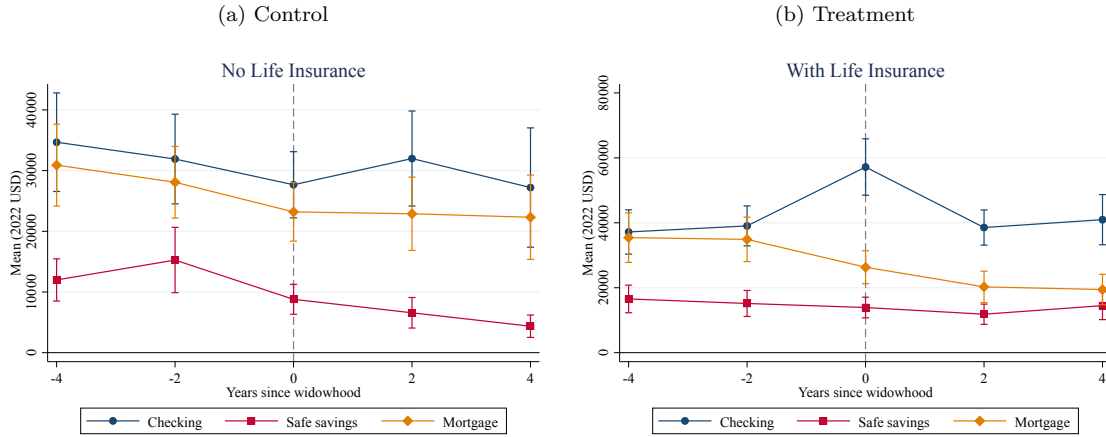


Figure A.1: Life Insurance Receipt by Pre-Death Wealth Quartile

Notes: Graph depicts the percentage of respondents who received life insurance payouts based on wealth quartiles as defined by pre-death household wealth levels. Source: HRS 2002-2022.

Figure A.2: Levels of Financial Outcomes by Treatment Status



Notes: Figures display average levels of each household finance outcome over time relative to the time of widowhood for the group not receiving life insurance in panel (a) and the group receiving life insurance in panel (b). Sources: HRS 2002-2022.

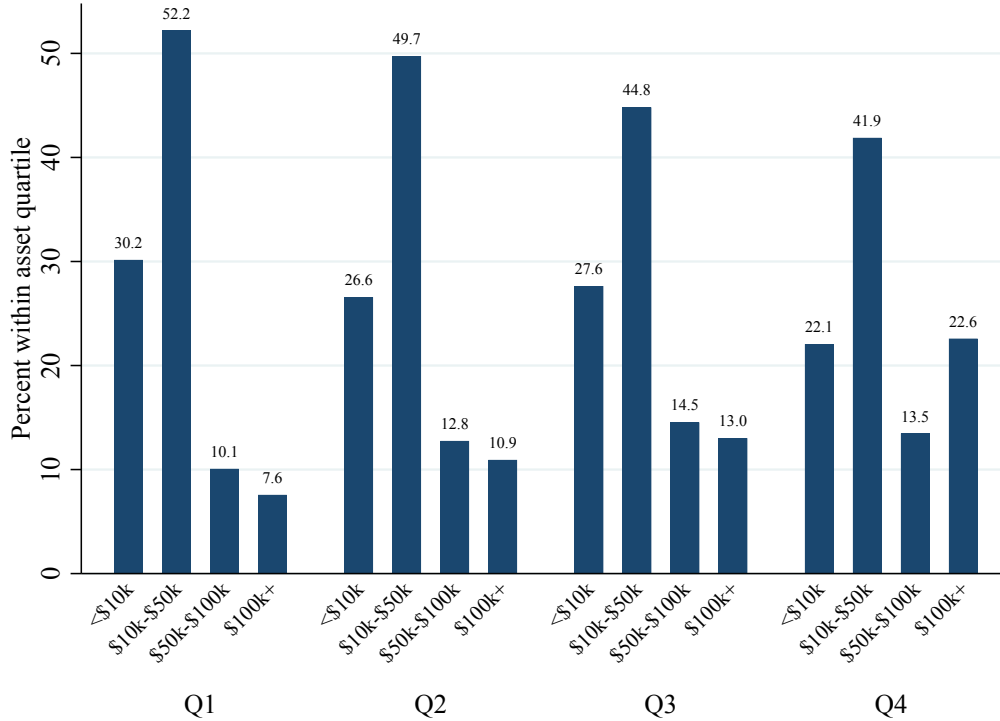


Figure A.3: Life Insurance Face Value Amounts by Wealth Quartile

Notes: The figure depicts the distribution of total life insurance face value amounts measured in the wave prior to spousal death within quartiles of total wealth (measured in the wave prior to spousal death). Source: HRS 2002-2022.

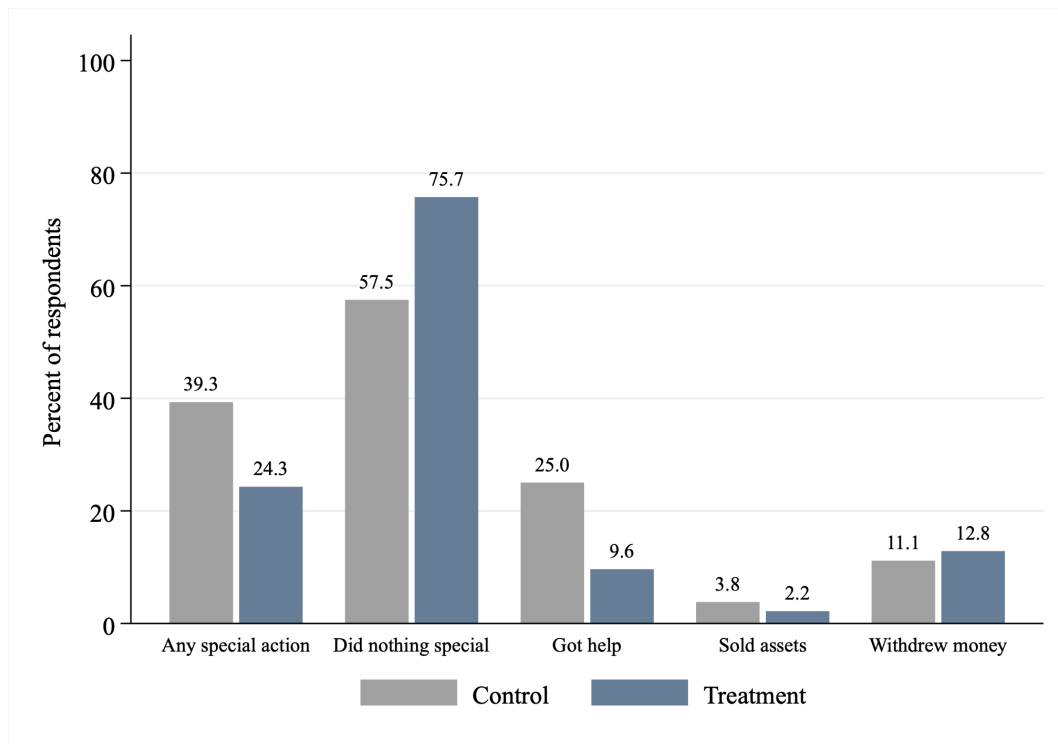


Figure A.4: Household Adjustments Post-Widowhood

Notes: The figure depicts the percent of respondents in the bottom half of the wealth distribution, in the control and treatment groups, that report taking any special action after widowhood (includes selling assets, withdrawing money, etc.), taking no action (“Did nothing special”), getting help from family and charity (“Got help”), selling assets, or withdrawing money. Source: HRS 2002-2022.

Table A.1: Distribution of Life Insurance Receipt Relative to the Year of Widowhood

Widowhood timing	No.	%
0 = Before widowhood	1	0.1
1 = Year of widowhood	1,773	94.9
2 = First wave after widowhood	88	4.7
3 = Second wave after widowhood	6	0.3
4 = Third wave after widowhood	0	0.0
Total	1,868	100.0

Notes: Sample is restricted to respondents who report receiving life insurance proceeds. The first column indicates the timing of receipt relative to the first observed year of widowhood. A value of 1 means the respondent received the payout in the year of widowhood. Values of 2, 3, and 4 indicate receipt in the first, second, and third HRS survey waves after widowhood, respectively, corresponding approximately to 2, 4, and 6 years after widowhood. A value of 0 indicates receipt in the survey wave before the observed widowhood year. Source: HRS 2002-2022.

Table A.2: Matching Procedure Statistics

Covariate	Unmatched Mean		Matched Mean		Standardized	% Bias
	Treated	Control	Treated	Control	% Bias	Reduced
Household wealth	652.75	617.40	652.75	620.96	2.1	10.1
Any pension	0.47281	0.34195	0.47281	0.36348	26.9	16.5
Age	73.330	73.493	73.330	73.130	-1.7	-22.5
Self-reported health	3.7464	3.7550	3.7464	3.7516	-0.8	39.8
Male	0.25301	0.34626	0.25301	0.30509	-20.5	44.1

Notes: Table depicts unmatched and matched means across the covariates used for matching, among the treated and control groups, measured in the wave prior to widowhood. Respondent weights used to calculate means. Household wealth is in thousands of US dollars. Source: HRS 2002-2022.

Table A.3: Event-Study Estimates – Life Insurance Payouts and Household Finance Measures - Without Matching

	Outcome Variable								
	(1) Checking Account	(2) Safe Savings	(3) Stock Balance	(4) Mortgage Owed	(5) Bequest ≥ \$10,000	(6) Transfer to Kids	(7) Any Donation	(8) Donation Amount	(9) SSI Receipt
Event = -4	-2980.1 (3096.1)	59.73 (1956.5)	-21798.3 (16529.8)	355.5 (2500.7)	-0.00346 (0.0104)	-0.00679 (0.0155)	0.00256 (0.0125)	765.4 (752.9)	-0.00537 (0.00394)
Event = 0	22368.3*** (4050.6)	2492.0 (1664.9)	-33.76 (11460.3)	-7993.5*** (2981.6)	0.0324*** (0.0108)	0.0379** (0.0172)	0.00531 (0.0129)	188.3 (235.6)	0.000618 (0.00372)
Event = +2	5412.7 (4878.7)	1283.5 (1794.0)	4961.0 (15220.6)	-9510.6*** (3070.8)	0.0514*** (0.0130)	0.0177 (0.0198)	-0.000857 (0.0171)	229.5 (386.0)	0.0124** (0.00539)
Event = +4	6864.7 (7103.8)	3189.5 (2422.0)	26950.8 (22308.1)	-5625.3 (3994.0)	0.0210 (0.0152)	0.0216 (0.0227)	-0.00313 (0.0189)	182.1 (446.7)	0.0206*** (0.00749)
Event = +6	1182.0 (6326.2)	4044.2 (3548.8)	26466.6 (27903.0)	-5795.3 (5942.4)	-0.00364 (0.0183)	0.0322 (0.0258)	-0.00548 (0.0224)	213.9 (538.3)	0.0189** (0.00876)
Control mean (pre-period)	35,956.52	11,783.24	97,682.01	29,621.75	0.59	0.30	0.38	1,809.72	0.08
Observations	13,233	15,305	14,906	12,078	15,483	16,265	16,705	15,596	16,738

Notes: Table reports event-study estimates, without propensity score matching, of the interaction between life insurance receipt and event time relative to spousal death. Event = 0 corresponds to the year of widowhood, with Event = -2 omitted as the reference period. Checking account is defined as the dollar amount held in checking and savings accounts, with zero assigned to respondents reporting no such account. Safe savings are defined as balances held in certificates of deposit and Treasury bills. Bequest expectations are measured as the self-reported probability of leaving a bequest of at least \$10,000. Transfers to children indicate whether any transfer occurred. Charitable giving includes an indicator for whether any donation was made and the total dollar amount donated. Supplemental Security Income (SSI) receipt is measured using an indicator for program participation. All dollar-valued outcomes are expressed in constant 2022 dollars. All specifications include individual-stack and wave-stack fixed effects, along with time-varying controls for age (quadratic) and interview type (proxy versus self interview). Estimates are weighted using survey response weights, with standard errors clustered at the individual level in parentheses. Control mean (pre-period) reports the mean of each outcome among the control group in the pre-widowhood period. Statistical significance given by: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$. Source: HRS 2002-2022.

Table A.4: Differences in Pr(Help from Family or Charity)

	Outcome Variable	
	(1)	(2)
	Below Median Wealth	Above Median Wealth
Treatment	-0.128*** (0.0228)	-0.0124 (0.0108)
Control mean	0.18	0.04
Observations	1,687	1,749

Notes: Table reports average difference in the probability of receiving help from family and charity in the wave of widowhood for the treatment group relative to the control group. “Treatment” refers to the group with a spousal death and life insurance receipt, while “control” refers to the group with a spousal death and no life insurance receipt. The average difference is calculated from a regression specification that includes time fixed effects, along with time-varying controls for age (quadratic) and interview type (proxy versus self interview). Estimates are weighted using survey response weights, and standard errors clustered at the individual level are reported in parentheses. Control mean (pre-period) reports the mean in the control group. Statistical significance given by: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$. Source: HRS 2002–2022.

Table A.5: Event-Study Estimates by Education Level (Bottom Half of Wealth Distribution)

	Outcome Variable								
	(1) Checking Account	(2) Safe Savings	(3) Stock Balance	(4) Mortgage Owed	(5) Bequest ≥ \$10,000	(6) Transfer to Kids	(7) Any Donation	(8) Donation Amount	(9) SSI Receipt
Panel A: Education < 12 years									
Event = -4	-220.4 (1506.6)	871.4 (1023.4)	-700.0 (476.9)	530.0 (4756.3)	-0.0298 (0.0392)	-0.0296 (0.0462)	0.0642* (0.0369)	168.9** (80.04)	-0.00203 (0.0126)
Event = 0	4735.3*** (1752.1)	734.8 (713.6)	1729.9 (1548.8)	-1413.4 (3134.9)	0.0802** (0.0357)	0.00616 (0.0509)	-0.00942 (0.0352)	-63.64 (87.38)	0.00141 (0.0130)
Event = +2	3399.7 (2924.7)	-221.6 (1772.0)	575.9 (718.6)	-10182.8* (5277.6)	0.115** (0.0480)	0.0137 (0.0590)	0.00292 (0.0503)	-104.1 (105.3)	0.0315* (0.0161)
Event = +4	1825.8 (2599.9)	2304.5 (2437.2)	427.7 (578.3)	-9063.5 (5752.7)	0.0817 (0.0603)	0.0141 (0.0581)	0.0325 (0.0424)	116.3 (103.7)	0.0397* (0.0231)
Event = +6	-8504.0 (6615.4)	-2305.9 (2346.4)	642.3 (730.2)	-3205.1 (4681.8)	0.140** (0.0640)	0.0245 (0.0716)	0.0410 (0.0544)	30.58 (130.0)	0.0278 (0.0307)
Observations	1,974	2,299	2,331	1,536	2,035	2,320	2,363	2,292	2,340
Panel B: Education ≥ 12 years									
Event = -4	7686.0** (3858.0)	-56.70 (831.3)	8799.0* (4495.8)	235.5 (6242.5)	0.00585 (0.0201)	0.000452 (0.0273)	0.00923 (0.0255)	98.92 (118.8)	-0.00828 (0.00799)
Event = 0	18740.2*** (4470.8)	1591.6* (885.6)	8397.1 (5100.6)	-18967.5** (9007.2)	0.0472** (0.0223)	0.0338 (0.0315)	0.0243 (0.0243)	277.7 (226.7)	0.00368 (0.00825)
Event = +2	7640.4** (3226.8)	1379.6* (754.4)	-5916.8 (5717.8)	-20887.5*** (7628.1)	0.0799*** (0.0283)	0.00931 (0.0380)	-0.0204 (0.0322)	-66.18 (115.0)	0.0131 (0.0126)
Event = +4	14210.2* (8168.1)	1215.0 (925.0)	1249.4 (6459.5)	-10138.1 (9019.6)	-0.0187 (0.0336)	-0.0148 (0.0430)	-0.00444 (0.0378)	-11.03 (143.5)	0.0235 (0.0172)
Event = +6	932.6 (3550.4)	1144.0 (822.7)	-6396.4 (7343.9)	-24737.6 (17708.1)	-0.0259 (0.0409)	0.0811* (0.0488)	0.00635 (0.0455)	33.41 (163.1)	0.0381 (0.0241)
Observations	3,713	4,332	4,273	2,877	4,253	4,386	4,501	4,239	4,523

Notes: Table reports event-study estimates of the interaction between life insurance receipt and event time relative to spousal death in a propensity-score-matched sample, focusing on those in the bottom half of the wealth distribution and with education less than 12 years in Panel A and 12 years or more in Panel B. Event = 0 corresponds to the year of widowhood, with Event = -2 omitted as the reference period. Checking account is defined as the dollar amount held in checking and savings accounts, with zero assigned to respondents reporting no such accounts. Safe savings are defined as balances held in certificates of deposit and Treasury bills. Bequest expectations are measured as the self-reported probability of leaving a bequest of at least \$10,000. Transfers to children indicate whether any transfer occurred. Charitable giving includes an indicator for whether any donation was made and the total dollar amount donated. Supplemental Security Income (SSI) receipt is measured using an indicator for program participation. All dollar-valued outcomes are expressed in constant 2022 dollars. All specifications include individual-stack and wave-stack fixed effects, along with time-varying controls for age (quadratic) and interview type (proxy versus self interview). Estimates are weighted using respondent survey weights, with standard errors clustered at the individual level in parentheses. Statistical significance given by: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$. Source: HRS 2002–2022.

Table A.6: Event-Study Estimates by Education Level (Top Half of Wealth Distribution)

	Outcome Variable								
	(1) Checking Account	(2) Safe Savings	(3) Stock Balance	(4) Mortgage Owed	(5) Bequest ≥ \$10,000	(6) Transfer to Kids	(7) Any Donation	(8) Donation Amount	(9) SSI Receipt
Panel A: Education < 12 years									
Event = −4	-5995.0 (13630.5)	10897.1 (8470.7)	1620.7 (20171.9)	5504.6 (5412.2)	0.00173 (0.0411)	0.107 (0.0737)	-0.0341 (0.0457)	34.74 (371.7)	-0.0210* (0.0119)
Event = 0	33366.0* (17194.8)	14930.5** (6532.4)	19459.3 (18318.4)	-3564.7 (3205.7)	-0.00380 (0.0467)	0.0636 (0.0719)	0.0615 (0.0558)	1004.5 (1055.5)	-0.0213 (0.0151)
Event = +2	15583.8 (18489.0)	-1040.3 (5679.1)	801.0 (11095.8)	3666.4 (2561.2)	0.0795 (0.0482)	0.0361 (0.0765)	0.0597 (0.0687)	1242.4** (595.1)	-0.00172 (0.0251)
Event = +4	12909.0 (20274.9)	12102.6 (7453.2)	202.1 (15607.3)	1344.7 (4029.3)	0.0295 (0.0638)	0.0451 (0.0961)	0.0928 (0.0826)	604.3 (368.6)	-0.0127 (0.0204)
Event = +6	16912.7 (22182.7)	12647.2 (10930.1)	30802.2 (28638.4)	5445.2* (3273.1)	-0.0901 (0.0733)	-0.0545 (0.0873)	0.0582 (0.0776)	699.5 (535.7)	-0.00495 (0.0249)
Observations	808	942	973	919	966	1,050	1,083	1,008	1,088
Panel B: Education ≥ 12 years									
Event = −4	-10698.0* (5833.9)	-2345.1 (3997.7)	-58777.9 (37241.1)	1019.5 (3140.2)	-0.00593 (0.0132)	-0.0218 (0.0222)	-0.0140 (0.0165)	1213.4 (1489.3)	0.00277 (0.00522)
Event = 0	28583.1*** (7954.5)	3246.2 (3513.0)	-9013.1 (26616.9)	-5305.7* (3082.3)	0.0160 (0.0130)	0.0455* (0.0247)	-0.0122 (0.0179)	218.3 (448.8)	-0.00393 (0.00444)
Event = +2	2550.7 (10203.6)	3683.9 (3925.4)	17364.4 (37994.9)	-7045.4* (4267.9)	0.0165 (0.0144)	0.0212 (0.0283)	0.0106 (0.0250)	600.3 (829.6)	0.00119 (0.00662)
Event = +4	2301.4 (14203.3)	5815.2 (5236.2)	62657.3 (58696.7)	-6270.3 (6109.8)	0.0341** (0.0173)	0.0535 (0.0347)	-0.0174 (0.0280)	518.3 (1017.8)	0.00512 (0.0100)
Event = +6	936.5 (13850.5)	8840.9 (7530.6)	68875.9 (74366.0)	-3325.4 (7941.8)	-0.0133 (0.0216)	0.0249 (0.0407)	-0.0240 (0.0340)	691.0 (1237.9)	-0.0102 (0.00921)
Observations	5,363	6,202	5,795	6,006	6,727	6,891	7,120	6,500	7,155

Notes: Table reports event-study estimates of the interaction between life insurance receipt and event time relative to spousal death in a propensity-score-matched sample, focusing on those in the top half of the wealth distribution and with education less than 12 years in Panel A and 12 years or more in Panel B. Event = 0 corresponds to the year of widowhood, with Event = −2 omitted as the reference period. Checking account is defined as the dollar amount held in checking and savings accounts, with zero assigned to respondents reporting no such accounts. Safe savings are defined as balances held in certificates of deposit and Treasury bills. Bequest expectations are measured as the self-reported probability of leaving a bequest of at least \$10,000. Transfers to children indicate whether any transfer occurred. Charitable giving includes an indicator for whether any donation was made and the total dollar amount donated. Supplemental Security Income (SSI) receipt is measured using an indicator for program participation. All dollar-valued outcomes are expressed in constant 2022 dollars. All specifications include individual-stack and wave-stack fixed effects, along with time-varying controls for age (quadratic) and interview type (proxy versus self interview). Estimates are weighted using respondent survey weights, with standard errors clustered at the individual level in parentheses. Statistical significance given by: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$. Source: HRS 2002–2022.

Table A.7: Event-Study Estimates, Excluding Lump-Sum Insurance and Pension Settlements

	Outcome Variable								
	(1) Checking Account	(2) Safe Savings	(3) Stock Balance	(4) Mortgage Owed	(5) Bequest ≥ \$10,000	(6) Transfer to Kids	(7) Any Donation	(8) Donation Amount	(9) SSI Receipt
Event = -4	-3880.2 (3152.5)	192.4 (1977.2)	-22820.6 (17043.6)	677.8 (2553.2)	-0.00522 (0.0105)	-0.00957 (0.0158)	0.00217 (0.0127)	729.5 (759.7)	-0.00500 (0.00405)
Event = 0	22791.9*** (4167.0)	2300.1 (1696.7)	-387.3 (11904.5)	-8460.9*** (3109.1)	0.0327*** (0.0110)	0.0393** (0.0176)	0.00282 (0.0130)	210.6 (242.5)	0.000579 (0.00386)
Event = +2	5753.5 (5004.8)	829.6 (1782.8)	5141.6 (16203.6)	-9997.6*** (3216.4)	0.0517*** (0.0133)	0.0197 (0.0203)	-0.000659 (0.0175)	280.4 (400.1)	0.0126** (0.00568)
Event = +4	7481.4 (7321.4)	2047.5 (2369.5)	27187.0 (24380.8)	-6106.6 (4176.8)	0.0227 (0.0157)	0.0285 (0.0234)	-0.00681 (0.0195)	222.7 (478.7)	0.0211*** (0.00806)
Event = +6	1912.2 (6509.1)	2403.1 (3498.8)	27568.0 (30859.7)	-6837.7 (6274.9)	-0.00619 (0.0191)	0.0387 (0.0268)	-0.00967 (0.0232)	266.4 (576.4)	0.0189* (0.00968)
Observations	12,316	14,226	13,828	11,294	14,359	15,072	15,497	14,485	15,531

Notes: Table reports event-study estimates of the interaction between life insurance receipt and event time relative to spousal death in a propensity-score-matched sample, excluding individuals who received lump-sum pension payments. Event = 0 corresponds to the year of widowhood, with Event = -2 omitted as the reference period. Checking account is defined as the dollar amount held in checking and savings accounts, with zero assigned to respondents reporting no such account. Safe savings are defined as balances held in certificates of deposit and Treasury bills. Bequest expectations are measured as the self-reported probability of leaving a bequest of at least \$10,000. Transfers to children indicate whether any transfer occurred. Charitable giving includes an indicator for whether any donation was made and the total dollar amount donated. Supplemental Security Income (SSI) receipt is measured using an indicator for program participation. All dollar-valued outcomes are expressed in constant 2022 dollars. All specifications include individual-stack and wave-stack fixed effects, along with time-varying controls for age (quadratic) and interview type (proxy versus self interview). Respondent-level survey weights are used, with standard errors clustered at the individual level in parentheses. Statistical significance given by: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$. Source: HRS 2002–2022.

Table A.8: Event-Study Estimates, Dropping Top 5% of Asset Changes

	Outcome Variable								
	(1) Checking Account	(2) Safe Savings	(3) Stock Balance	(4) Mortgage Owed	(5) Bequest ≥ \$10,000	(6) Transfer to Kids	(7) Any Donation	(8) Donation Amount	(9) SSI Receipt
Event = −4	2197.6 (2804.8)	569.5 (1547.7)	-5407.7 (5995.1)	-129.8 (2669.1)	-0.00642 (0.0111)	-0.00594 (0.0161)	0.00679 (0.0133)	916.9 (795.6)	-0.00533 (0.00429)
Event = 0	15698.8*** (2996.1)	1533.4 (1269.1)	-721.2 (3302.9)	-7631.2** (3253.3)	0.0315*** (0.0115)	0.0380** (0.0182)	0.00286 (0.0134)	63.71 (229.8)	0.000596 (0.00408)
Event = +2	7084.9 (4702.1)	960.3 (1663.9)	15108.4** (6062.0)	-7861.1** (3324.9)	0.0502*** (0.0139)	0.0197 (0.0210)	0.00255 (0.0180)	37.54 (369.2)	0.0128** (0.00598)
Event = +4	7339.8 (7046.2)	2678.9 (2272.2)	23330.2** (9294.3)	-3215.3 (4315.7)	0.0223 (0.0164)	0.0305 (0.0241)	0.000920 (0.0201)	-123.7 (395.7)	0.0224*** (0.00853)
Event = +6	-1090.6 (5496.4)	2472.0 (3530.4)	12636.1 (11840.6)	-3746.3 (6638.7)	-0.00947 (0.0201)	0.0419 (0.0274)	-0.00571 (0.0238)	-267.5 (463.2)	0.0199* (0.0102)
Observations	11,702	13,559	13,234	10,643	13,631	14,347	14,723	13,777	14,754

Notes: Table reports event-study estimates of the interaction between life insurance receipt and event time relative to spousal death in a propensity-score-matched sample, excluding individuals who experience an absolute asset change in the top 5% of all asset changes from the wave prior to widowhood to the wave of widowhood. Event = 0 corresponds to the year of widowhood, with Event = -2 omitted as the reference period. Checking account is defined as the dollar amount held in checking and savings accounts, with zero assigned to respondents reporting no such account. Safe savings are defined as balances held in certificates of deposit and Treasury bills. Bequest expectations are measured as the self-reported probability of leaving a bequest of at least \$10,000. Transfers to children indicate whether any transfer occurred. Charitable giving includes an indicator for whether any donation was made and the total dollar amount donated. Supplemental Security Income (SSI) receipt is measured using an indicator for program participation. All dollar-valued outcomes are expressed in constant 2022 dollars. All specifications include individual-stack and wave-stack fixed effects, along with time-varying controls for age (quadratic) and interview type (proxy versus self interview). Respondent-level survey weights are used, with standard errors clustered at the individual level in parentheses. Statistical significance given by: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$. Source: HRS 2002-2022.

Table A.9: Event-Study Estimates, Dropping Top 1% of Asset Changes

	Outcome Variable								
	(1) Checking Account	(2) Safe Savings	(3) Stock Balance	(4) Mortgage Owed	(5) Bequest ≥ \$10,000	(6) Transfer to Kids	(7) Any Donation	(8) Donation Amount	(9) SSI Receipt
Event = -4	-1822.9 (3035.4)	303.3 (1963.0)	-2570.7 (7332.1)	373.7 (2560.3)	-0.00541 (0.0106)	-0.00895 (0.0158)	0.00226 (0.0128)	856.5 (759.6)	-0.00512 (0.00408)
Event = 0	22050.2*** (3956.8)	2594.3 (1661.4)	4490.1 (6274.8)	-8430.6*** (3132.2)	0.0332*** (0.0111)	0.0406** (0.0177)	0.00275 (0.0131)	109.2 (231.4)	0.000609 (0.00389)
Event = +2	5715.6 (4663.8)	888.8 (1746.6)	8784.6 (8558.3)	-9942.1*** (3232.1)	0.0522*** (0.0134)	0.0197 (0.0204)	-0.000459 (0.0176)	26.61 (359.5)	0.0122** (0.00570)
Event = +4	4048.1 (7022.2)	2642.5 (2337.1)	16916.4 (12115.5)	-5963.3 (4201.9)	0.0231 (0.0159)	0.0275 (0.0235)	-0.00501 (0.0196)	-107.1 (394.0)	0.0213*** (0.00813)
Event = +6	-2840.9 (5897.7)	3107.5 (3493.1)	5286.2 (14944.1)	-6713.9 (6324.9)	-0.00591 (0.0193)	0.0371 (0.0269)	-0.00834 (0.0234)	-141.2 (467.9)	0.0191* (0.00976)
Observations	12,210	14,113	13,732	11,172	14,225	14,942	15,354	14,361	15,391

Notes: Table reports event-study estimates of the interaction between life insurance receipt and event time relative to spousal death in a propensity-score-matched sample, excluding individuals who experience an absolute asset change in the top 1% of all asset changes from the wave prior to widowhood to the wave of widowhood. Event = 0 corresponds to the year of widowhood, with Event = -2 omitted as the reference period. Checking account is defined as the dollar amount held in checking and savings accounts, with zero assigned to respondents reporting no such account. Safe savings are defined as balances held in certificates of deposit and Treasury bills. Bequest expectations are measured as the self-reported probability of leaving a bequest of at least \$10,000. Transfers to children indicate whether any transfer occurred. Charitable giving includes an indicator for whether any donation was made and the total dollar amount donated. Supplemental Security Income (SSI) receipt is measured using an indicator for program participation. All dollar-valued outcomes are expressed in constant 2022 dollars. All specifications include individual-stack and wave-stack fixed effects, along with time-varying controls for age (quadratic) and interview type (proxy versus self interview). Respondent-level survey weights are used, with standard errors clustered at the individual level in parentheses. Statistical significance given by: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$. Source: HRS 2002–2022.