Do people save more after they marry?

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By Geoffrey T. Sanzenbacher and Wenliang Hou*

Introduction

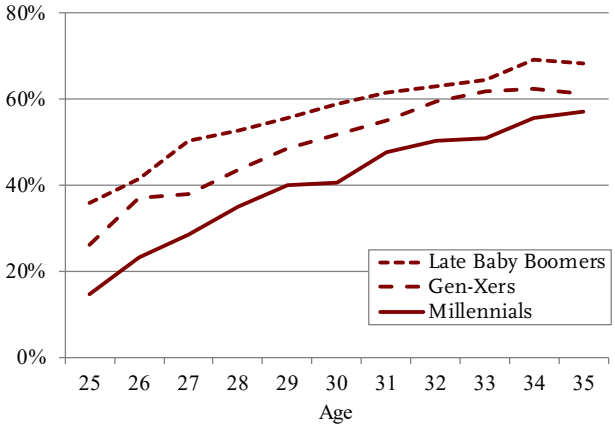
Millennials marry later than previous generations. Since marriage is a major life milestone that often marks a line between youth and adulthood, a logical question is how this delay affects retirement saving. This *brief* uses data from the *Survey of Income and Program Participation* linked to W-2 records on defined contribution plan deferrals to determine the extent to which marriage affects retirement saving.

The *brief* is organized as follows. The first section provides background on marriage trends for young adults and considers why marriage could affect saving. The second section describes the data and methodology used to examine the relationship between marriage and retirement saving, and the third section presents the results. The final section concludes that while delays in marriage do delay saving, the size of any reduction in retirement wealth is likely to be small.

Background

Delaying marriage is much more common among Millennials than Generation Xers and Late Baby Boomers.[1] Figure 1 looks at young men between ages 25 and 35 in each cohort. At age 30, just 41 percent of the Millennials were married compared to 59 percent for the Late Baby Boomers.[2]

Figure 1. Percentage of Men Who Are Married, Ages 25-35



Note: The observation years were 1989 for Late Boomers, 2004 for Gen-Xers, and 2016 for Millennials.
Source: Munnell and Hou (2018).

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While the overall trend in age at first marriage is clear, its implications for a decision about whether and how much to save for retirement are less clear. On the one hand, a robust literature has shown that marriage tends to kick start saving for a house as individuals combine their possessions and make plans for having kids.[3] On the other hand, the decision to save for retirement may be different. Since retirement is so far off in the future, marriage does not necessarily serve as a trigger event for focusing on retirement saving. And while recent research suggests that married couples have longer planning horizons than singles – making them more likely to think about retirement saving – the evidence on the subject is limited.[4]

Table 1. Description of Analysis Sample

Characteristic	Value
Average yearly earnings	$48,000
Share with some college	69.9%
Share non-white	23.0%
Share with tax-deferred saving	42.4%
Average contribution rate	5.4%
Number of individuals	20,450

Source: Authors' calculations using the *Survey of Income and Program Participation* (SIPP), 1996-2009 (from the 1996, 2001, 2004, and 2008 SIPP Panels).

Data and Methodology

The question is how marriage might affect contributions to defined contribution plans (which are primarily 401(k)s). A logical approach would be to compare married individuals to similar single individuals.[5] However, comparing married to single individuals – even if they look similar – might miss many differences between them. Certain personality types may be more likely to both get married and save – after all marriage and saving for retirement are both long-term commitments – and it is hard to control for these sorts of differences with most types of data.

Instead, the analysis uses data from the Survey of Income and Program Participation (SIPP) – a panel survey on economic and demographic characteristics – to observe individuals around the time of their marriages. Specifically, the SIPP data are linked to W-2 records on 401(k) contributions for a period of five years, the two years before an individual's SIPP interview and the two years after.[6] Then, any individuals not observed getting married are removed from the sample. The final sample includes 20,450 individuals who are observed both before and after they get married (see Table 1).[7]

With these data in hand, the analysis proceeds in two steps. The first step simply compares, separately for men and women, the likelihood of contributing to a 401(k) account in the years before marriage to the years after marriage over the five-year window, as well as the average contribution rates in the years they contributed. The second step uses a regression to control for demographic characteristics of individuals, to ensure that any relationship being picked up is due to the occurrence of marriage and not some other factor. For example, if people with some college increase their savings more over time than others and are also more likely to get married, then a simple before and after marriage comparison may falsely attribute savings increases to marriage instead of the simple passage of time. In this regression, each person-year serves as an observation, with an indicator of marital status as the main variable of interest.

Results

The simple comparison of participation and contribution rates before and after marriage – shown in Figures 2a and 2b (on the next page) – suggest that both men and women increase their 401(k) participation and contribution rates after marriage. The figures also show that men respond slightly more to marriage than women in terms of participation. Men have lower participation rates than women before marriage, but they end up at the same level afterwards.

Conditional on participating, the contribution rate shows the opposite trend by gender. After marriage, women increase their contribution rate by an average of 0.8 percentage point compared to only 0.3 for men.

The remaining question is whether these differences persist once demographic controls are included. The regression analysis confirms that individuals increase their participation and contribution rates post-marriage, and the size of the effect closely mirrors those in the simple comparison. (See the Appendix for the results.) Results for other variables are largely intuitive – individuals who are more educated, older, and earn more are more likely to participate in a 401(k) plan and contribute at higher rates.

Figure 2a. 401(k) Participation Rates, Before and After Marriage

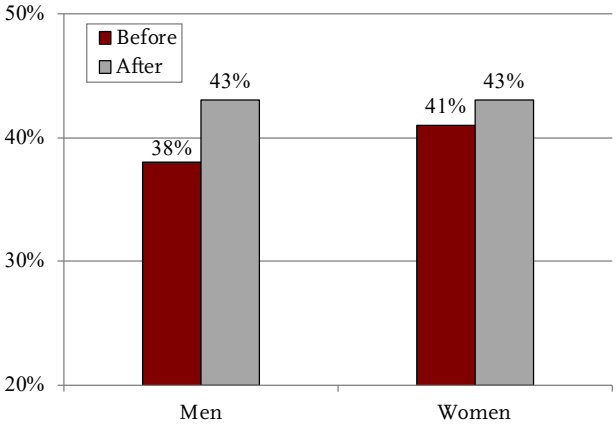
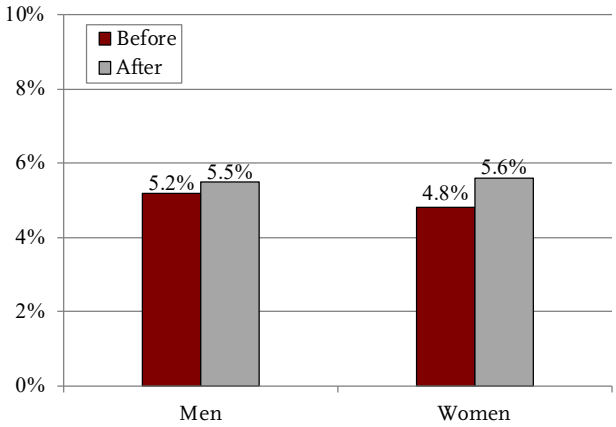


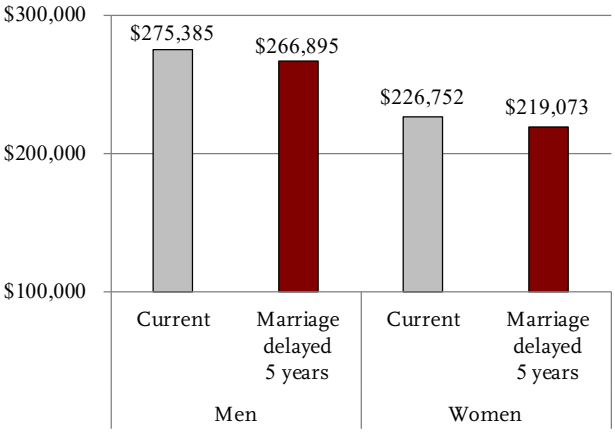
Figure 2b. 401(k) Contribution Rates, Before and After Marriage



Source: Authors' calculations using the SIPP, 1996-2009 (from the 1996, 2001, 2004, and 2008 SIPP Panels) linked to 1990-2011 W-2 records.

The takeaway from these analyses is that people do increase both their participation in and their contributions to 401(k) plans after marriage. A final question is what these results mean should the trend toward later marriage continue. This impact is illustrated by looking at how much retirement wealth accrued in 401(k) plans by age 65 would have been affected if men and women married later than they do today. The illustration assumes that they married five years later, based on the approximate increase that occurred between Baby Boomers and Millennials.[8] The effect of delay, while statistically significant in the regression, is small – a 3.1-percent decline in accumulated assets for men and a 3.4-percent decline for women (see Figure 3). So while the delay in marriage may be problematic for some forms of savings – delaying homeownership for example – it seems unlikely to make a large dent in retirement savings.

Figure 3. Illustrative Effect of Lower Participation and Contributions on Retirement Wealth at Age 65 If Marriage Is Delayed 5 Years



Note: This illustration assumes participants save from ages 25 to 65 and earn a real return of 4 percent.
Source: Authors' calculations.

Conclusion

For most future retirees, a 401(k) plan will be their only source of retirement savings outside of Social Security. For these plans to provide enough income in retirement, individuals need to participate and then contribute a high enough fraction of their salary. This study suggests that any trend towards delayed marriage may also delay these two behaviors because people have higher 401(k) participation and contribution rates after they marry.

Fortunately, the net effect on retirement wealth is likely to be small and, in any case, solutions for this issue exist. Features like automatic enrollment and automatic escalation are becoming more common and can start people on the right track before they hit milestones like marriage that may cause them to start thinking about retirement. Financial education could also play a role, with employers and 401(k) providers perhaps stressing the importance of an early start in accumulating enough resources for retirement. After all, every little bit helps in terms of retirement preparedness.

Endnotes

1 Despite the tendency to delay marriage, most people are expected to eventually marry. For example, Parker, Wang, and Rohal (2014) estimated that 75 percent of individuals ages 25-34 in 2010 (a mix of Gen-Xers and Millennials) would eventually marry.

2 For a comparison of the three groups across a number of socioeconomic dimensions, see Munnell and Hou (2018).

3 See Lauster and Fransson (2006) for an excellent discussion of this literature across a variety of countries, including the United States. Examples of other work on the topic include Clark and Dieleman (1996), Mulder and Wagner (1998), and Feijten and Mulder (2005).

4 Fulda and Lersch (2018) find that when couples begin cohabitating, their planning horizons increase, although no further increase occurs at marriage for those couples. See Butrica and Smith (2016) or Smith, Johnson, and Muller (2004) for evidence on marriage and contributions to tax-deferred retirement plans, which is somewhat mixed.

5 Indeed, this approach is taken in Butrica and Smith (2016) and Smith, Johnson, and Muller (2004), which found that married individuals were less likely to participate in a 401(k) but saved more when they did than similar single individuals.

6 The data cover 1994-2011. Technically, the data used include tax-deferred contributions to any account. However, the vast majority of these contributions go to retirement accounts. Another limitation of the data is that they do not include information on whether or not an individual was offered a plan – so an increase in 401(k) participation could reflect obtaining a better job after marriage that includes a 401(k) plan or the decision to contribute to an already existing 401(k) plan. However, in either case, marriage would seem to be triggering a move toward more retirement saving.

7 Specifically, this *brief* uses the U.S. Census's SIPP Synthetic Beta (SSB) project. The SSB alleviates privacy disclosure concerns by allowing researchers to first run their analysis on synthesized data and then, through a U.S. Census employee, re-run the analysis on actual data. The synthetic data aim only to match unconditional means of the public-use SIPP variables, so conditional analysis for selected subsamples is not meaningful. With this consideration, the results reported in this study are the average of the estimates produced from the Completed Data Files; other than imputed values, therefore, the analysis uses actual, not synthetic, data.

8 For example, the median age at first marriage for men in the late 1970s (when young adults were all Baby Boomers) was about 24. By 2017 (when young adults were all Millennials), it had jumped to over age 29. The increase in the age at first marriage for women was similar.

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APPENDIX

Table A1. Effect of Marriage on Participation and Savings Rate by Gender

	Participation		Savings rate (contributors)	
Regression	Male	Female	Male	Female
Marriage	0.036***	0.034***	0.004***	0.008***
	(0.000)	(0.000)	(0.000)	(0.000)
Earning (log)	0.163***	0.170***	0.001***	0.003***
	(0.000)	(0.000)	(0.000)	(0.000)
Age	0.003***	0.002***	0.001***	0.001***
	(0.000)	(0.000)	(0.000)	(0.000)
Race				
Black	0.043***	-0.005***	-0.008***	-0.013***
	(0.000)	(0.000)	(0.000)	(0.000)
Hispanic	-0.020***	-0.047***	0.006***	-0.002***
	(0.000)	(0.000)	(0.000)	(0.000)
Education				
High school	0.070***	0.040***	0.002***	-0.002***
	(0.000)	(0.000)	(0.000)	(0.000)
Some college	0.145***	0.112***	0.009***	0.008***
	(0.000)	(0.000)	(0.000)	(0.000)
College	0.241***	0.216***	0.021***	0.020***
	(0.000)	(0.000)	(0.000)	(0.000)
Graduate	0.240***	0.197***	0.018***	0.019***
	(0.000)	(0.000)	(0.000)	(0.000)
Industry				
Wholesale/retail	-0.063***	-0.023***	-0.003***	-0.007***
	(0.000)	(0.000)	(0.000)	(0.000)
Public service	-0.076***	-0.023***	-0.003***	-0.003***
	(0.000)	(0.000)	(0.000)	(0.000)
Other industries	-0.128***	0.028***	-0.001***	-0.006***
	(0.000)	(0.000)	(0.000)	(0.000)
SIPP Panel				
2001	0.007***	0.019***	-0.005***	0.002***
	(0.000)	(0.000)	(0.000)	(0.000)
2004	0.030***	0.021***	-0.001***	0.003***
	(0.000)	(0.000)	(0.000)	(0.000)
2008	0.045***	0.028***	-0.002***	-0.003***
	(0.000)	(0.000)	(0.000)	(0.000)
Constant	0.036***	0.034***	0.004***	0.008***
	(0.000)	(0.000)	(0.000)	(0.000)
Observations	54,720	39,940	23,300	17,400
R-squared	0.1994	0.0516	0.2101	0.0830

Note: Other industries include agriculture, mining, construction, transportation, communications, and public utilities.
*** p<0.01.
Source: Authors' calculations using the SIPP, 1996-2009 (from the 1996, 2001, 2004, and 2008 SIPP Panels) linked to 1990-2011 W-2 records.

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