

# Inequities in the golden years: How wealth shapes healthy and work-free life

## Key takeaways

- Prior research has shown a strong gradient of longevity to wealth; we show that these additional years lived by the wealthy are not just extensions of sick states, but rather increases in healthy (without disability) years of life.
- The wealth gradient in healthy life years at age 65 is increasing over time, resulting in growing inequality in healthy life expectancy.
- The wealthy are able to work more years due to their healthier lives, yet the total life expectancy gain is large enough for this group that they still retain more work-free years, too.

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## Background

Many individuals aspire to a set of “golden years” in later life with good health and reduced work obligations. Life expectancy gains over time have been accruing unequally, however, with gaps as large as 15 years for men in the top 1% versus the bottom 1% of the income distribution (Chetty et al., 2016). In parallel, there have been major gains in healthy (i.e., disability-free) life expectancy—this has increased on average by about two years, outpacing the overall growth in life expectancy (Chernew et al., 2017). Yet relatively little is known about the intersection of these findings, especially regarding the changes in disability-free life expectancy (DFLE) and work-free life expectancy (WFLE) over time and between wealth groups.

It is important to understand whether individuals with different levels of wealth entering retirement experience different disability (and mortality) patterns. Many policies that affect aging populations can be targeted to generate different benefits across wealth and income groups. For example, increases in the normal retirement age may affect the progressivity of Social Security and other program benefits as studied in Auerbach, et al. (2017). This paper focuses on two descriptive questions. (1) How different is disability-free life expectancy at age 65 for the most versus least wealthy individuals? (2) How has that gradient changed over time? We then ask these questions for patterns in work, to better understand the implications of health and longevity for individual retirement.

## Methodology

Our core data source is individual-level information from the 1996 through 2018 waves of the Health and Retirement Study (HRS). The HRS provides rich information on the lives of older individuals and is an ideal dataset for our research objectives due to the availability of panel data on wealth, health, and employment. We begin our analysis with the 1996 wave because it is the first wave in which respondents aged 64–66 are part of the primary sample. The cohorts we compare are those who turned 64–66 in 1996 versus 2006. The HRS is conducted every two years. Thus, we examine those aged 64–66 in the survey to capture the cohort turning age 65. We measure household wealth using the cross-wave imputations developed in Hurd, et al. (2019); this is the net value of all wealth.

Our computations of DFLE and WFLE require two ingredients: life expectancy and information about the prevalence of disability and work at age 65. For the first ingredient and following Chetty, et al. (2016), we observe life expectancy empirically in the HRS via deaths and survival at each interview. We supplement the observed deaths in the HRS with age-sex life tables from the National Center of Health Statistics (NCHS) between ages 90–99 and Social Security Administration (SSA) life tables at ages 100 and above (Bell & Miller, 2005).

For the second ingredient, we observe disability and work among our HRS respondents and thus follow Chernew, et al. (2017) in estimating DFLE. We apply the same method to study a new construct: work-free life expectancy (WFLE).

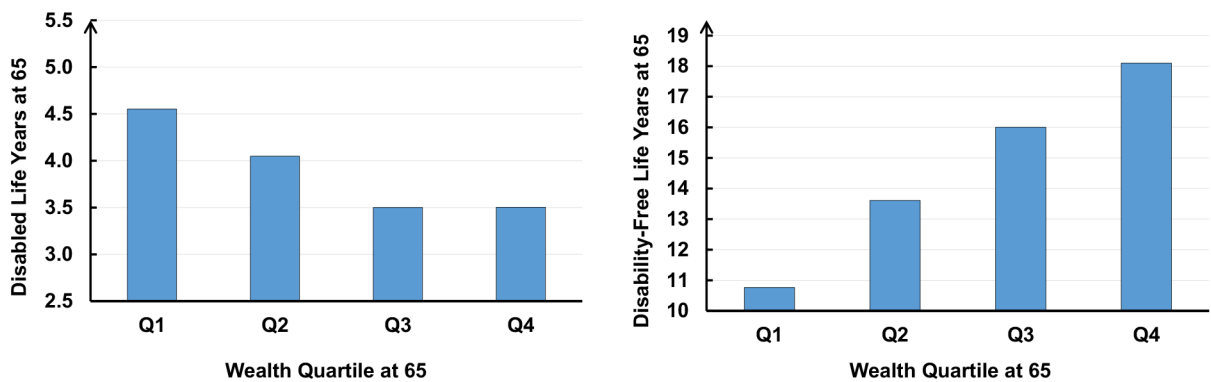
Our core method compares two cohorts of individuals turning 64–66 a decade apart, in 1996 and 2006. We break individuals into gender-specific wealth quartiles in each cohort and compare their probabilities of being disabled via regression while controlling for age, gender, race/ethnicity, and time-to-death, where the latter piece stands in for the idea that individuals may be more likely to be disabled closer to death. For the work-free life expectancy measure, we look at the probability of working instead of the probability of being disabled and apply the same methodology. Combining this with our life expectancy elements, we can then compute DFLE and WFLE, both measured at age 65, by cohort (1996 or 2006) and gender.

## Findings

We find that between two cohorts turning age 65 a decade apart, disability-free life expectancy gains accrued only to the wealthy. Specifically, we estimate disability-free life expectancy gains of 0.66 years for males and 0.24 years for females in the top wealth quartile. By contrast, for the bottom wealth quartile, we estimate disability-free life expectancy *losses* of 0.04 years for males and 0.13 years for females. For work-free life expectancy, we estimate a decrease of 0.41 years for the top wealth quartile for males and 0.66 years for females. For the bottom quartile, the change is 0.09 years for males and -0.03 years for females. We note that even though the work-free life expectancy does not increase for the 2006 cohort compared to the 1996 cohort, there is a robust within-cohort gradient showing that the wealthy experience a higher work-free life expectancy.

Figures 1–3 below summarize our results graphically via the key components of DFLE and WFLE computations. To get at our first endeavor in this project, we seek to learn more about wealth inequality in DFLE and WFLE within-cohort before we move to understanding how that inequality changed between cohorts. Figure 1 provides the within-cohort disability result for the 1996 cohort. Here, panels (a) and (b) show that the wealthiest individuals tend to live fewer disabled years and more disability-free years, respectively, at age 65. Figure 2 illustrates the results for work; panels (a) and (b) show that the wealthiest individuals tend to work longer and live more of their life work-free, respectively.

Figure 1. Wealthier individuals spend more years disability-free and fewer years disabled

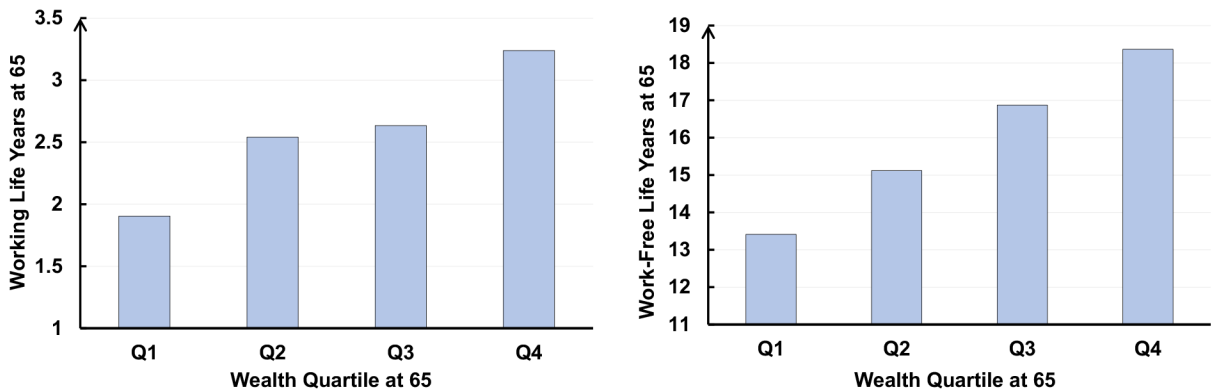


(a) Disabled life years, by wealth quartile

(b) Disability-free life years, by wealth quartile

Note. Figure shows the outcomes labeled on the vertical axis. The horizontal axis in each plot is the wealth quartile at age 65. Source: HRS respondents aged 64–66 in 1996 (for disability and life expectancy through age 89), plus SSA and NCHS for life expectancy after age 90.

Figure 2. Wealthier individuals spend more years working, but they also have more work-free years



(a) Working life years, by wealth quartile

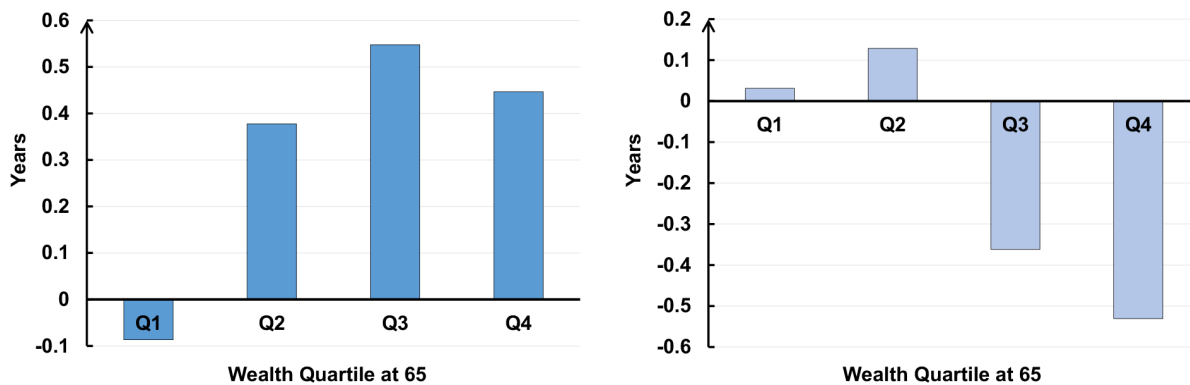
(a) Work-free life years, by wealth quartile

Note. Figure shows the outcomes labeled on the vertical axis. The horizontal axis in each plot is the wealth quartile at age 65. Source: HRS respondents aged 64–66 in 1996 (for work prevalence, and life expectancy through age 89), plus SSA and NCHS for life expectancy after age 90.

Figure 3 shows how disability-free and work-free life years changed between the 1996 and 2006 cohorts. Panel (a) shows that the wealthiest individuals (top three quartiles) experienced gains in disability-free life years at age 65 over time, while the least wealthy (the lowest quartile) did not. In panel (b), we see evidence of just one way that the wealthiest individuals are using their longer, healthier lives—by working more. The

wealthiest individuals (top two quartiles) work substantially more over time, reducing their number of work-free life years temporally, while the opposite is true for the least wealthy individuals (bottom two quartiles). Yet, despite these increases in work over time, the wealthiest still manage to retain more of their lives without work compared to the least wealthy.

**Figure 3. Between 1996 and 2006,**  
**(1) disability-free life years increased for the top three quartiles of wealth and decreased for the bottom quartile;**  
**(2) work-free life years decreased for the top two quartiles and increased for the bottom two quartiles.**



(a) Changes in disability-free life years between 1996 and 2006, by wealth quartile

(b) Changes in work-free life years between 1996 and 2006, by wealth quartile

Note. Figure shows the changes in disability and work-free life years on the vertical axis. The horizontal axis in each plot is the wealth quartile at age 65. Source: HRS respondents aged 64–66 in 1996 and 2006 (for disability and work prevalence, and life expectancy through age 89), plus SSA and NCHS for life expectancy after age 90.

## Implications

The combined set of results shows that the most wealthy individuals use their longer, healthier lives to work for more years while still retaining more years work-free compared to the less wealthy. While it is difficult to take a stand on whether work at older ages is beneficial (it may be desired or undesired but necessary), understanding the patterns and how they respond to wealth over time helps inform retirement policy.

The increasing wealth inequality in the US, especially in contrast to other developed nations, is a source of policy concern (Poterba & Venti, 2017). Our paper considers the effect of wealth at age 65, which is not yet too impacted by Social Security—this is useful to note in the context of present

research which finds that Social Security benefits flatten wealth inequality postretirement (Catherine et al., 2022). We document a new set of stylized facts using data from 1996 to 2018 that contribute to the policy challenge of how to best care for older individuals. We find that the least wealthy do not experience gains in the number of healthy (disability-free) years lived. Instead, the gains in healthy life expectancy accrue to the most wealthy, enabling these individuals to both remain healthier and to work more years. These findings help shed light on the composition of aggregate gains in life expectancy and health at older ages, which in turn helps inform how individuals and institutions can better prepare for retirement.

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