Monthly Labor Review

October 2019

If you like it (retirement security), put a ring on it

Graham Boone

Forming a lifelong partnership with the person you love comes with a host of benefits. Married couples enjoy several tax benefits, are generally healthier and happier, and are less likely to suffer mental illness. But according to Boston College's Center for Retirement Research, we should be aware of another important marital benefit: more money in retirement.

In "Do people save more after they marry?" (Center for Retirement Research at Boston College, April 2019), Geoffrey T. Sanzenbacher and Wenliang Hou look at individual 401(k) contributions before and after marriage to examine how marriage affects retirement saving. They use data from the Survey of Income and Program Participation—a Census Bureau panel survey on social and economic dynamics—for the pre- and postmarriage observations of men and women over a 5-year period. Comparing the 2 years before and 2 years after the interview year, the authors discover that marriage does increase retirement saving.

Sanzenbacher and Hou's findings show that both men and women exhibit increased participation rates (the percentage of workers who are eligible to enroll in a plan that actually enroll) and contribution rates (the percentage of income placed in the retirement account) after marriage. For men, participation goes up by 5 percentage points, from 38 percent before marriage to 43 percent after marriage. For women, participation increases by 2 percentage points, from 41 percent to 43 percent. While the participation change is far greater for men, the change in contribution rate is greater for women. For men, contribution rates go up by almost 6 percent, from 5.2 percent before marriage to 5.5 percent after marriage. For women, contribution rates go up nearly 17 percent, from 4.8 percent before marriage to 5.6 percent after.

The authors conclude that while marrieds do save more for retirement, the difference is relatively small. They suggest that starting retirement contributions as early as possible is more important than the saver's marital status. They highlight employer plan features such as automatic enrollment (employees are placed into a plan at a specified default rate and must opt out if they choose not to participate) and automatic escalation (the default contribution is increased by a specified amount at a specified period, usually 1 percentage point each year) as ways of getting people on the "right track" at an earlier age. Ultimately, whether one is single or married, putting away as much as possible as soon as possible is the best way to prepare for retirement.