

Wealth after divorce: The importance of pension rights adjustment in women's wealth accumulation

Eva Sierminska

Abstract

We examine the importance of pension rights adjustment after divorce for women's wealth accumulation considering several wealth concepts including net worth, (statutory) pension wealth and augmented wealth. We incorporate marital history in the analysis and find that having gone through divorce is on average positively and significantly correlated with statutory pension wealth overall and for remarried women. A negative relationship exists with augmented wealth, smaller than with net worth. The effect is stable at the bottom and middle of the wealth distribution, but disappears for top wealth holders. Given cultural differences the finding is confirmed only in western Germany, possibly due to lower wealth levels and a lower earnings gap in the eastern part of the country. Our findings suggest that pension equalization can be a suitable means of partially cushioning the financial disadvantages of divorce on wealth accumulation and thus reducing old-age poverty among women in the long run.