Divorce, remarriage and old age poverty
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This paper analyzes the consequences of midlife divorce for women's retirement preparation and old-age poverty. Previous papers documenting the relatively high poverty rate among retired divorcees have focused on women who remain divorced upon reaching retirement age, and have classified those divorcees who remarry before retirement age as part of the “married” group. We argue that a proper understanding of the consequences of midlife divorce requires a model that incorporates the remarriage process. We develop a dynamic model of labor supply, marital and saving decisions after divorce to show that ignoring this selection process overstates the negative consequences of midlife divorce on old-age welfare. A preliminary analysis of longitudinal data from the CPS shows important remarriage rates after the age of 45. It suggests that changes in the selection into remarriage might be responsible for much of the observed changes in old-age welfare of divorcees over the last 3 decades.