Financial implications of death of a partner

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When a person's life partner dies there are often many changes in financial and economic arrangements for the bereaved member of the couple. Much research has explored the psychological impact of death of a partner, but little is known about the financial implications, especially for people bereaved under pension age. This study investigated the financial and economic transitions of people whose partner died and explored their views and feelings about these experiences.

Key findings

- Death of a partner is mainly the experience of older women. One in five women bereaved under pension age, and one in ten men, have dependent children.
- Decline in income following the death was greatest among people under pension age, due largely to loss of partners' earnings or their own withdrawal from paid work.
- Among people bereaved over pension age, women's incomes generally dropped but men's increased, reflecting gender differences in pension entitlements.
- Older women faced increased risk of persistent or recurrent poverty for two or three years after the death.
- State bereavement benefits protected some people who had been married, but lack of understanding of their availability and purpose was widespread.
- Administrative requirements related to financial transitions following the death caused considerable practical and emotional burden.
- Immediate financial demands facing bereaved people included paying for the funeral, dealing with debt, and housing costs including changes in home ownership and tenancy.
- Managing the money, adjusting household spending and taking on new economic roles was hard for some people.
- Perceptions of adverse change in financial circumstances following a partner's death were related to increased psychological distress among women, for up to two years after the death.

RESEARCH WORKS

no. 2009-01
March 2009

spru
Social Policy Research Unit
THE UNIVERSITY of York

Background

When a person's life partner dies, financial arrangements built up by the couple change, affecting income levels, benefit entitlements, spending patterns, money management and economic roles for the bereaved person. Bereaved people in Britain are known to be at risk of poverty and problem debt, but there is little research on the financial and economic implications of death of a partner.

This study investigated how people's financial circumstances and economic well-being change when a partner dies; why some people face financial difficulties; whether these are transitory or longer-lasting, and effects on other outcomes such as social inclusion and experience of grief. The research also contributes to debate about personal responsibility for financial affairs and institutional arrangements affecting the financial consequences of bereavement.

Findings

Income changes

Changes in household income following the death varied widely. How people were affected, and who was affected most, were shaped by which components of a partner's income were lost – paid employment, private pension or state provision. To investigate the consequences, we adjusted incomes to allow comparisons over time between households that differed in size and composition.

People whose partners had been in paid work reported the largest income falls, mainly affecting those under pension age. Loss of partners' occupational pensions, and income from savings and investments, accounted for a significant fall in pensioners' incomes. People with their own private pension, or a survivor's benefit from their partner's pension, were generally protected from a substantial income drop.

Women were affected most by loss of a partner's earnings, occupational pension or investment income; however, they were more likely to inherit a survivor's benefit. Men who maintained paid work after the death or drew a private pension generally saw their incomes rise.

A drop in income pushed one in five people below the official poverty line, defined as less than 60 per cent of median household income. Women across the age range faced increased risk of poverty, as did men under pension age. Most falls into poverty were short-lived, especially for men who were able to return to or take up paid work. Bereaved women – especially women pensioners – were more likely to experience poverty lasting up to three years after the death.

Bereavement benefits protected some people who had been married but there was widespread lack of understanding of their availability and purpose. People who had not been married felt it was unjust that they did not qualify for bereavement benefits, despite their partner's National Insurance contributions, especially when there were children of the relationship.

Dealing with administration

Changes in income and financial liabilities following the death meant most people had to deal with diverse administrative and regulatory bodies, including government departments, local authorities, private pension providers, insurance and mortgage companies, banks and building societies. Such matters were often urgent and complex issues arose for some people. The volume of work required, administrative delays and errors, problems in communication and frustration with professional practice were widely experienced as an overwhelming burden, at a time when people were least able to cope, and this had affected their grieving.

Immediate financial demands

- Paying for the funeral was seen as particularly urgent. Bereavement payments helped some people pay the bill, especially those waiting for life insurance or pension pay-outs. For people on the lowest incomes,

Demographic profile of couples separated by death

- Around 220,000 people in England, Scotland and Wales report the death of a partner each year.
- Two thirds are women and four out of five people are over state retirement age when their partner dies.
- One in five women bereaved under pension age, and one in ten men, have dependent children.
- An estimated 5,000 people were not married to the partner who died.

social fund funeral expenses payments were important in enabling a funeral of the standard wanted.

- Most people were owner occupiers with paid up mortgages. Everyone else faced uncertainty about meeting on-going housing costs, whether mortgage or rental payments or adjustments to housing benefit. Some had worries about security of tenure. Initial uncertainties were mostly resolved within months of the death although some experienced lengthy delays, involving emotional strain and financial difficulties, until things were settled. The number of people owning their home outright increased after the death, as some used pension and insurance pay-outs, or legacies, to clear the outstanding balance on their mortgage.

- Dealing with debts and creditors was a priority in the early weeks of bereavement. Some people were shocked to discover the extent of a partner's debt. Finding where legal liability lay and dealing with unsympathetic creditors took time and was emotionally exhausting. Gradually, loan repayments and hire purchase agreements were reduced and outstanding debts seen as less burdensome.

Managing money

The impact of dealing alone with practical money matters and household budgeting was linked to what happened when the partner was alive. If the bereaved person had usually led financial decisions and management, it was not so hard to go on doing this. When their partner had managed practicalities, some people faced a considerable learning task. Both women and men had worried about what might happen if they did things badly, especially those with children.

Spending patterns

Everyone experienced changes in household budgeting. Fuel costs were an underlying source of concern, especially for people on reduced incomes, and many struggled for two years or more to manage costs when heating their home for one person rather than two. The number of people in fuel poverty, defined as spending more than a tenth of disposable household income on fuel, almost trebled after the death to encompass one in three households.

There was more scope for adjusting food spending but responses varied. Some people were motivated to eat well or found relief from grieving in preparing meals and cooking. These could be challenging tasks when the partner who died had been the one who bought food and made meals. Buying and cooking for one was often hard when coping with bereavement; some people lost interest in food while others spent more on comfort eating. Spending an increased share of income on food was associated with feeling worse off financially, more so for men than women.

Grieving

People's experiences of economic transitions following a partner's death influenced the grieving process in different ways:

- Dealing with the practicalities of financial insecurity, urgent paperwork and administrative processes associated with the death were often seen as a burden and distraction from grieving. For some people, running the household, shopping and money management, and the emotional implications of widow's payments, compensation claims and insurance pay-outs, were stressful.

- Loss of a partner's 'economic personhood', that is their roles as breadwinner, provider or household manager, affected how people coped with bereavement. For some people there were surprises which required emotional adjustments – new perspectives on their partner's generous gifting or hidden savings, or shock at the extent of unpaid bills and accumulated debt.

- Feeling worse off financially increased the chances of bereaved women, but not men, reporting symptoms of anxiety and depression for two years or more after the death.

Perceptions of financial change

- Around six months after the death of a partner, 42 per cent of people said they felt worse off financially than a year ago, up from 22 per cent before the death.

- The number of women feeling financially worse off doubled from 24 per cent before to 48 per cent after the death. Comparable figures for men were 19 and 30 per cent respectively.

Source: BHPS longitudinal study sample.

Implications

- Death of a partner is mostly the experience of people at the end of long lives. Financial consequences thus reflect social and economic policies and individual behaviours spanning many years. As well as long-term policy making for financial security, policy must address the immediate circumstances of people experiencing bereavement now.
- In the long term, enabling people to sustain paid employment throughout their working lives, building up entitlements to state, occupational and private pensions, will help ensure an acceptable standard of living in retirement and protect people whose partner has died from financial hardship and economic decline.
- Employment programmes that help people stay in touch with work, or try work when they feel ready, are important to bereaved people. Promoting 'bereavement awareness' among employers and in workplaces, flexible arrangements for return to work, and clarity about the terms of 'compassionate leave', help people deal with the practical and emotional consequences of bereavement and maintain employment.
- Raising financial awareness and capability in the general population should include planning and preparation for death. Government, employers and unions have opportunities for information provision at marriage, birth of a child, pension planning and retirement. Hospices and palliative care services provide supportive settings in which people anticipating death, both patients and families, can talk about financial matters.
- Benefits for people with chronic illness, and those receiving and providing end of life care, help couples with the extra costs of long-term and deteriorating conditions and protect savings and investments that help, in turn, support the partner who lives on. Maintaining awareness of benefits and support with applications are important in boosting take-up. After the death, information and advice about benefits, pensions and tax, as well as support in accessing financial services help people avoid financial hardship.
- When policy makers review financial support for bereaved people, there should be thorough examination of entitlement, take-up and impact of bereavement benefits and social fund funeral expenses payments, and people's perceptions of these arrangements.
- There is a need to reduce the burden of dealing with financial and regulatory organisations when a partner dies. Administrative processes to help people find the information they need, staff with skills for dealing with people in grief, and data sharing to reduce documentation required from bereaved people, would increase business efficiency as well as trust and compliance among service users.
- Supporting bereaved people who want to share feelings about their financial situation and economic roles may ease adjustment to their loss. Such discussions might signpost specialist financial advice such as debt counselling, money management, or reduction of fuel costs. Timely information and advice about dealing with financial transitions also help reduce anxiety and feelings of insecurity, or feeling overwhelmed.

Methods

The study mixed qualitative and quantitative methods including:

- in-depth interviews with 44 people at different life stages whose partner had died recently, and
- longitudinal analysis of data from the British Household Panel Survey from over 750 couples where one partner died.

Interviews were conducted in 2007 and 2008; the BHPS study sample was drawn from 14 annual sets of data covering 1991 to 2004.

Further information

This research was funded by the UK Economic and Social Research Council.

This publication should be cited as: Corden, A., Hirst, M. and Nice, K. (2009) Financial implications of death of a partner. *Research Works*, 2009-01, Social Policy Research Unit, University of York, York.

Copies of the full report, Corden, A., Hirst, M. and Nice, K. (2008) *Financial Implications of Death of a Partner*, can be downloaded from the SPRU website: **http://php.york.ac.uk/inst/spru/pubs/1148/**

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