CENTER FOR
RETIREMENT
RESEARCH
AT BOSTON COLLEGE

September 2009, Number 9-19

OLDER AMERICANS ON THE GO: FINANCIAL AND PSYCHOLOGICAL EFFECTS OF MOVING

By Esteban Calvo, Kelly Haverstick, and Natalia A. Zhivan*

Introduction

Moving is an important decision for any homeowner, requiring one to weigh the familiar comforts of a home and neighborhood against the uncertain potential of a new location. A move decision may be even more challenging for an older person. On the one hand, older people often have a decades-long attachment to their current residence. On the other hand, they may face new opportunities (ample leisure time) or challenges (the loss of a spouse) that affect their desire or ability to stay where they are.

This *brief* is the second of two examining moving decisions among older Americans. The first *brief* covered how often older households move, where they move, and their stated reasons for moving. An initial analysis of these reasons indicated two general types of movers: those who are able to affirmatively plan a move ("Planners") and those who react to a change in their circumstances that may force them to relocate ("Reactors"). Given the different stated motivations of these movers, the determinants and consequences of their move decisions may vary. This *brief* tests these hypotheses, using the *Health and Retirement Study*.

The first section introduces the sample of households used in the analysis. The second section analyzes what characteristics influence a decision to move. The third section looks at the impact of moving on home equity, while the fourth section considers the impact on psychological well-being. The final section concludes.

The Sample

This study uses the original cohort (individuals born 1931-1941) in the *Health and Retirement Study* (HRS), a nationally representative database of individuals 51 and older. Thus, the migration estimates calculated here are for households with members ages 51-61 in 1992 to ages 63-73 in 2004.[1]

The previous *brief* focused solely on homeowners *who moved* in order to assess where they moved and their reported reason for moving. In contrast, this study has two different objectives, which affect the sample used. First, it addresses the determinants and consequences of moving, which requires a compari-

* All of the authors are affiliated with the Center for Retirement Research at Boston College. Esteban Calvo is a graduate research assistant. Kelly Haverstick is a research economist. Natalia A. Zhivan is a consultant. This *brief* is based on a longer paper (Calvo, Haverstick, and Zhivan, 2009).

son of movers to non-movers. Second, it continues to explore whether movers consist of two distinct types: "Planners" and "Reactors." Testing for two types of movers requires a way to split the sample using a method that applies equally to movers and non-movers. For this purpose, we use the absence or presence of a negative shock as a proxy (under the expectation that those movers with no shock are similar to the Planners and those with a shock are more like the Reactors).

A shock is defined as any of the following recent events:[2]

- death of a spouse;
- divorce;
- entry into a nursing home;
- hospitalization or much worsened health; or
- loss of a job.

The results will be reported for households with and without shocks. In the discussion of the consequences of moving, these two groups will also be broken down into movers and non-movers for a total of four distinct subgroups.

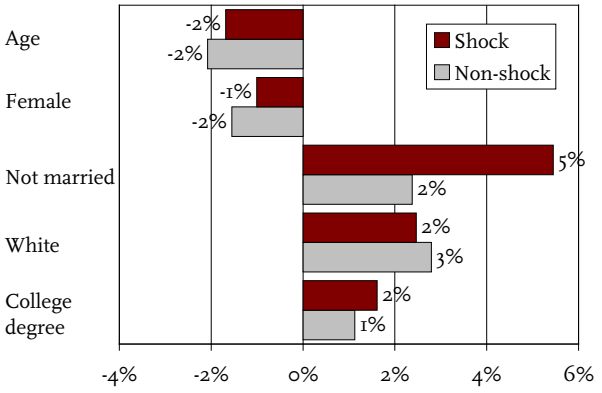
What Makes People Move?

Numerous factors may influence a move, including age, gender, marital status, race, and education. To test their impact, these factors were included in a regression analysis conducted separately on the two groups in the split sample – households with a shock and those without.[3] The results, as shown in Figure 1, indicate that most of the demographic factors had similar effects on both types of households, with the exception of marital status.[4] As discussed below, the results accorded well with our basic intuition.

Households are *less likely to move* if they are older or have a female respondent. As people get older, they have a harder time breaking ties with the community and changing their daily routine. And households headed by women are less likely to move since women may have stronger emotional and social attachments to the neighborhood or may be more capable of caring for themselves than men.[5]

Households are *more likely to move* if they are not married, white, or headed by a college graduate.[6] Marital status was very important for those with a shock, as a person without a spouse may be more likely to move if their health declines. For those households without a shock, being unmarried means more flexibility when making a decision to move as there is no need to accommodate the preferences of two people. The intuition for the impact of race is that white households may be less likely to have large extended families and thus weaker ties to the community than non-white households. Regarding education, college graduates are a mobile group of the population in general – often leaving their homes in early adulthood to go to college and frequently following available jobs across the country.

Figure 1. Effects of Demographic Factors on the Probability of Moving for Older Households, by Shock Status, 1994-2004

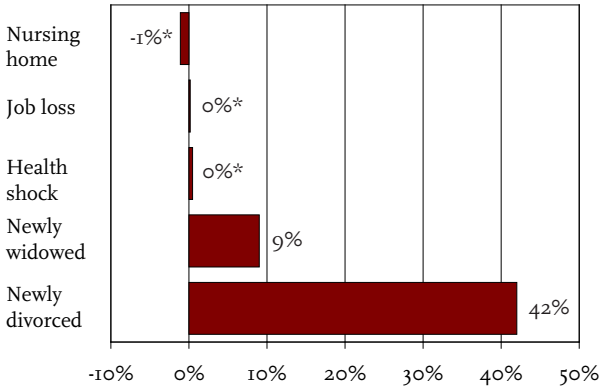


Notes: All effects are statistically significant at the 10 percent level except for "female" for the shock group. For age, the effect shown is for a change from the 25th percentile to the 75th percentile. See Table A1 for full regression results and Table A2 for summary statistics.
Sources: Authors' calculations from University of Michigan, *Health and Retirement Study* (HRS), 1994-2004.

Households with Shocks

For households with shocks, the type of negative shock is expected to have different effects on the probability of moving and thus was included in the regression. As shown in Figure 2 on the next page, those recently widowed or divorced have an increased probability of moving. Surprisingly, the other shocks – health shock, entry of a household member into a nursing home, and loss of a job – do not significantly impact the probability of moving in these households with at least one shock. Thus, it seems that family structure is a very important factor in these households' decisions to move.

Figure 2. Effects of the Type of Shock on the Probability of Moving for Older Households with Shocks, 1994-2004

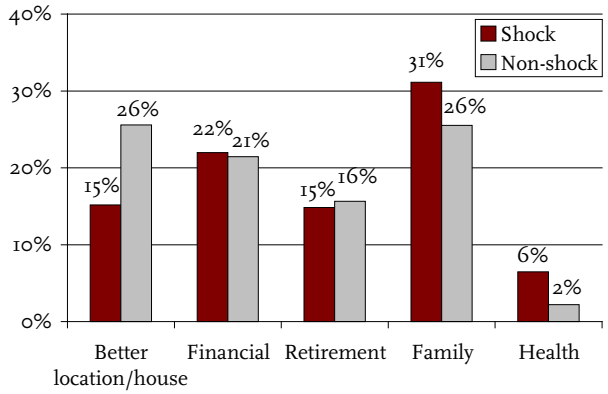


* These results are not statistically significant.
Source: Authors' calculations from 1994-2004 HRS.

Households without Shocks

Different factors may affect the move decision of households with no observable shock. Thus, it is interesting to compare the self-reported reasons for moving given by these households with those given by households experiencing a shock. As shown in Figure 3, 26 percent of households without a shock cited better house/location – a reason that is generally consistent with a planned move – compared to just 15 percent of those with a shock. In contrast, households with a shock were more likely than non-shock households to cite a family or health reason, which tend to suggest an unplanned move. Of course, the interpretation of the self-reported results may be ambiguous in some cases. For example, 2 percent of households without a shock responded that they moved for health reasons. It is possible that a member of these households had a shock prior to the last wave and the move resulted, at least in part, from the cumulative effects of health problems.

Figure 3. Reasons Provided for Moving by Older Homeowners, by Shock Status, 1994-2004

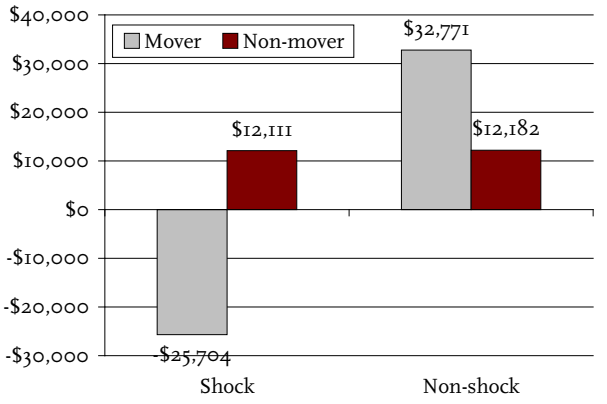


Note: The categories within each group do not add to 100 percent due to movers who provided no reason.
Source: Authors' calculations from 1994-2004 HRS.

Impact of Moving on Home Equity

The financial consequences of a move are likely to differ for the two types of movers. Since all of the households in our sample were homeowners, the change in home equity seems the most relevant consequence.[7] Figure 4 shows how those with and without shocks fared – both movers and non-movers. Those households that moved saw the greatest change in home equity and, interestingly, the type of change varied dramatically by shock status. Movers with a shock saw an average decline in home equity of about $26,000. In contrast, movers without a shock experienced an average increase of nearly $33,000. These findings suggest that the former group chose to downsize, for example due to ill health or the death of a spouse.[8] The latter group, instead, was in a better

Figure 4. Average Change in Home Equity, by Shock and Move Status, 1994-2004, 2006 Dollars



Source: Authors' calculations from 1994-2004 HRS.

position to make a planned move to a more expensive home, perhaps in a popular area with better recreational amenities.

These results are consistent with previous research findings that households experiencing the death of a spouse or entry into a nursing home reduce their home equity, while other households increase their equity on average.[9] Furthermore, this decomposition clarifies the relationship between trends in home equity and moving for older homeowners. Previous findings of rising home equity with age and little use of housing equity to support general consumption among older homeowners led some researchers to believe that older households do not move.[10] However, closer examination reveals that older households actually do move, but the gains of some are offset by the losses of others.

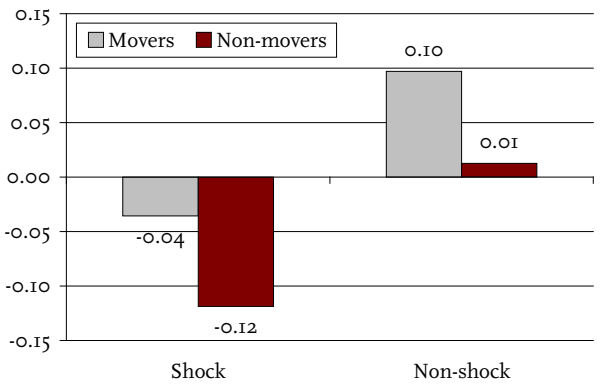
Impact of Moving on Psychological Well-Being

After identifying factors that affect move decisions and estimating a move's financial impact, a final question is how does moving affect psychological well-being? Considering the two groups of households, we expect positive changes in well-being for households without shocks and negative changes for households with shocks. With regard to the impact of moving, we hypothesize that households moving without a shock planned the move and thus have greater increases in well-being compared to those not moving. In contrast, we expect that those moving in the wake of a shock have added disruptions in their routines and thus face further decreases in well-being compared to those not moving.

To test our hypothesis, we created a measure of psychological well-being comprised of positive feelings (happiness and enjoyment of life) and negative feelings (loneliness, depression, and sadness) that has a range from 0 to 5 with larger values indicating greater well-being.[11] Since this measure is for individuals, we then created a household-level measure which is simply the respondent's value for single-person households and the average of a couple's values for two-person households. Finally, we calculated the change in this composite variable (ranging from -5 to 5) for each household from the previous wave.

Figure 5 shows the average change in psychological well-being from wave to wave over the 1994-2004 period. As expected, the average change is positive for households without a shock and negative for households with a shock. Within each group, the movers had a more positive (or less negative) change than the non-movers. This result suggests that moving helps improve psychological well-being, even for those households that experience a shock.

Figure 5. Average Change in Psychological Well-being, by Shock and Move Status, 1994-2004

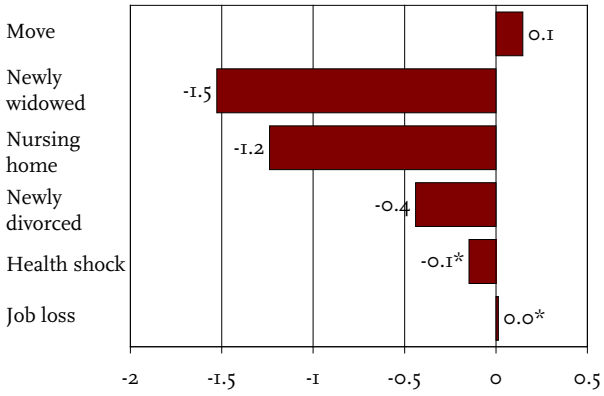


Source: Authors' calculations from 1994-2004 HRS.

These findings seem contradictory to the common sociological notion of aging in place – that older adults maximize their psychological well-being when they remain in their homes.[12] However, simply comparing the mean changes for these groups of homeowners may not tell the whole story – it is uncertain how other factors may influence the changes in these households' well-being. Therefore, we analyzed how a variety of social, economic, and demographic variables – in addition to moving – influence well-being, using an ordered logit regression.[13] Furthermore, since negative events may decrease well-being by differing magnitudes in the short term, indicators for the types of shocks were also included for the group with shocks.[14]

The results indicate that while moving is still associated with improved well-being for both groups, for homeowners with shocks, its effect is relatively modest compared to losing a spouse or entering a nursing home (see Figure 6 on the next page).

Figure 6. Factors Affecting the Change in Psychological Well-being for Homeowners with Shocks, 1994-2004



* These results are not statistically significant.
Note: See Table A3 for full regression results and Table A4 for summary statistics.
Source: Authors' calculations from 1994-2004 HRS.

Overall, our results suggest that the adage "there's no place like home" does not necessarily hold for older households.[15] Since the previous *brief* documented that the majority of moves are short distances, these results suggest that individuals can change their residence but still enjoy the benefits of aging in place if they remain in a community that provides meaningful connections and a sense of belonging.[16]

Conclusion

This *brief* finds that several factors influence a decision to move – households that are older or have a female head are less likely to move, while those that are unmarried, white, or have a college degree are more likely to move. Marital status is particularly important for households that receive a negative shock, such as a decline in health. The findings generally support the notion that older movers can be broadly categorized as either Planners or Reactors, based on whether they experience a negative shock. The financial and psychological outcomes are different for the two types of movers. In terms of financial outcomes, movers who experience negative shocks are more likely to reduce their housing equity, which indicates that households may use their equity as a precautionary asset. Regarding psychological outcomes, as expected, households with shocks tend to have more negative changes in psychological well-being than those without shocks. Moving modestly improves psychological well-being in each group but, for homeowners experiencing shocks, these effects are overshadowed by major shocks such as the death of a spouse.

Endnotes

1 At the time of the analysis, the data from the Cross-Wave Region and Mobility File were available through 2004. Since these data are vital for determining a move, the analysis incorporated observations through 2004.

2 These variables, when applicable, also include these events for a spouse. All variables are measured based on these events occurring since the last wave. Households may experience multiple shocks.

3 A Chow test of the pooled regression where variables were interacted with dummies being in shock or non-shock groups rejects the hypothesis that all demographic characteristics jointly have the same effect for both groups at a 10 percent level of significance.

4 Also included in the regression is household income in the previous wave, which had no statistically significant effect for either group.

5 Households headed by women are, in most cases, single.

6 The race/ethnicity group includes those households whose respondent listed his race as something other than black and did not indicate a Hispanic ethnicity. The non-white group consists of black and/or Hispanic individuals.

7 Home equity is measured as the gross home value less the outstanding mortgage. Home equity values were converted into 2006 dollars using the CPI-U (U.S Bureau of Labor Statistics 2009).

8 These results include initial homeowners who either purchased new homes or became renters.

9 Venti and Wise (2004).

10 Venti and Wise (2004, 2002); Anderson, French, and Lam (2004); and Fisher et al. (2007) find that average home equity increases by age until the early to mid-70s.

11 This measure is based on five yes-or-no questions in the health section of the HRS questionnaire. Respondents are asked whether "much of the time this past week" they were 1) happy; 2) enjoyed life; 3) felt lonely; 4) felt depressed; or 5) felt sad.

12 Angus et al. (2005); Bookman (2008); and Gilleard, Hyde, and Higgs (2007).

13 Diener et al. (1999); and Gallo et al. (2006).

14 For example, at the time of the event and for the two-year period following the event, Diener, Lucas, and Scollon (2006) find that widowhood has a greater impact on life satisfaction than divorce does while Calvo, Haverstick, and Sass (2007) estimate that the death of a spouse has a larger impact on psychological well-being than does a health change.

15 The idea that there is no place like home is recurrent. For example, see Fisher et al. (2007) and Sabia (2008).

16 See Haverstick and Zhivan (2009) for information about where households move.

References

Anderson, Kate, Eric French, and Tina Lam. 2004. "You Can't Take it With You: Asset Run-Down at the End of the Life Cycle." *Economic Perspectives* 3: 40–54.

Angus, Jan, Pia Kontos, Isabel Dyck, Patricia McKeever, and Blake Poland. 2005. "The Personal Significance of Home: Habitus and the Experience of Receiving Long-Term Care." *Sociology of Health & Illness* 27(2): 161-87.

Bookman, Ann. 2008. "Innovative Models of Aging in Place: Transforming our Communities for an Aging Population." *Community, Work & Family* 11(4): 419-38.

Calvo, Esteban, Kelly Haverstick, and Natalia A. Zhivan. 2009. "Determinants and Consequences of Moving Decisions for Older Homeowners." Working Paper 2009-16. Chestnut Hill, MA: Center for Retirement Research at Boston College.

Calvo, Esteban, Kelly Haverstick, and Steven A. Sass. 2007. "What Makes Retirees Happier: A Gradual or 'Cold Turkey' Retirement?" Working Paper 2007-18. Chestnut Hill, MA: Center for Retirement Research at Boston College.

Diener, Ed, Richard E. Lucas, and Christie Napa Scollon. 2006. "Beyond the Hedonic Treadmill: Revising the Adaptation Theory of Well-Being." *American Psychologist* 61(4): 305-314.

Diener, Ed, Eunkook M. Suh, Richard E. Lucas, and Heidi L. Smith. 1999. "Subjective Well-being: Three Decades of Progress." *Psychological Bulletin* 125(2): 276-302.

Fisher, Jonathan D., David S. Johnson, Joseph T. Marchand, Timothy M. Smeeding, and Barbara Boyle Torrey. 2007. "No Place Like Home: Older Adults and Their Housing." *Journal of Gerontology* 62(B)2: S120-S128.

Gallo, William T., Elizabeth H. Bradley, Joel A. Dubin, Richard N. Jones, Tracy A. Falba, Hsun-Min Teng, and Stanislav V. Kasl. 2006. "The Persistence of Depressive Symptoms in Older Workers Who Experience Involuntary Job Loss: Results From the Health and Retirement Survey." *Journals of Gerontology: Social Sciences* 61(4): 221-28.

Gilleard, Chris, Martin Hyde, and Paul Higgs. 2007. "The Impact of Age, Place, Aging in Place, and Attachment to Place on the Well-being of the Over 50s in England." *Research on Aging* 29(6): 590-605.

Haverstick, Kelly and Natalia A. Zhivan. 2009. "Older Americans On the Go: How Often, Where, and Why?" *Issue in Brief* 9-18. Chestnut Hill, MA: Center for Retirement Research at Boston College.

Sabia, Joseph J. 2008. "There's No Place Like Home: A Hazard Model Analysis of Aging in Place Among Homeowners in the PSID." *Research on Aging* 30(1): 3-35.

University of Michigan. *Health and Retirement Study*, 1992-2004. Ann Arbor, MI.

U.S. Bureau of Labor Statistics. *Consumer Price Index: All Urban Consumers – (CPI-U): U.S. City Average, 1992-2006*. Accessed April 24, 2009. Available at: ftp://ftp.bls.gov/pub/special.requests/cpi/cpiai.txt.

Venti, Steven F. and David A. Wise. 2004. "Aging and Housing Equity: Another Look." In *Perspectives on the Economics of Aging*, ed. David A. Wise, 127–75. Chicago: University of Chicago Press.

Venti, Steven F. and David A. Wise. 2002. "Aging and Housing Equity." In *Innovations in Retirement Financing*, eds. Olivia. S. Mitchell, Zvi Bodie, P. Brett Hammond, and Stephen Zeldes, 254–281. Philadelphia: University of Pennsylvania Press.

APPENDIX

Table A1. Marginal Effects on the Probability of Moving, 1994-2004

Variable	With shock	Without shock
Age	0.013	-0.015 **
	(0.01)	(0.01)
Age squared	0.000	0.000 *
	(0.00)	(0.00)
Not married, previous wave	0.054 ***	0.024 ***
	(0.01)	(0.01)
Female	-0.010	-0.016 ***
	(0.01)	(0.01)
White	0.025***	0.028***
	(0.01)	(0.01)
College degree	0.016 *	0.011 *
	(0.01)	(0.01)
Household income, previous wave	0.001	0.000
	(0.00)	(0.00)
Job loss	0.002	-
	(0.01)	-
Health shock	0.005	-
	(0.01)	-
Newly widowed	0.088 ***	-
	(0.02)	-
Newly divorced	0.418 ***	-
	(0.05)	-
Nursing home	-0.011	-
	(0.03)	-
Pseudo R^2	0.062	0.014
Number of observations	9,292	14,547

Note: Omitted categories: male, non-white, less than college, single. Model includes year fixed effects. * Denotes significance at the 10 percent level; ** at the 5 percent level; and *** at the 1 percent level.
Source: Authors' calculations from 1994-2004 HRS.

Table A2. Summary Statistics for Moving Regression, 1994-2004

Variable	With shock		Without shock	
	Mean	Standard deviation	Mean	Standard deviation
Move	0.09	0.28	0.07	0.26
Age	63.93	4.85	63.54	4.54
Age squared	4110	615	4057	578
Not married, previous wave	0.21	0.40	0.35	0.48
Female	0.50	0.50	0.49	0.50
White	0.86	0.35	0.85	0.36
College degree	0.20	0.40	0.25	0.43
Household income, previous wave (in $10,000 units, 2006 dollars)	5.70	7.29	6.47	11.98
Job loss	0.11	0.31	-	-
Health shock	0.85	0.36	-	-
Newly widowed	0.07	0.26	-	-
Newly divorced	0.03	0.16	-	-
Nursing home	0.01	0.09	-	-

Source: Authors' calculations from 1994-2004 HRS.

Table A3. Change in Psychological Well-being Ordered Logit Estimates, 1994-2004

Variable	With shock	Without shock
Move	0.147*	0.132*
	(0.09)	(0.07)
Age	-0.033	0.053
	(0.10)	(0.06)
Age squared	0.000	-0.000
	(0.00)	(0.00)
Married, previous wave	-0.180 ***	-0.128 ***
	(0.05)	(0.03)
Female	-0.030	-0.005
	(0.04)	(0.03)
White	-0.043	-0.015
	(0.05)	(0.04)
College degree	0.047	-0.070 **
	(0.04)	(0.03)
Net household wealth, previous wave	0.000	0.000
	(0.00)	(0.00)
Job loss	0.014	-
	(0.10)	-
Health shock	-0.148	-
	(0.12)	-
Newly widowed	-1.527***	-
	(0.13)	-
Newly divorced	-0.440*	-
	(0.24)	-
Nursing home	-1.238 ***	-
	(0.35)	-
Pseudo R^2	0.011	0.002
Number of observations	9,058	14,374

Notes: Omitted categories: male, non-white, less than college, single. Model includes year fixed effects. Net household wealth is the sum of net financial wealth and net housing wealth. * Denotes significance at the 10 percent level; ** at the 5 percent level; and *** at the 1 percent level.
Source: Authors' calculations from 1994-2004 HRS.

Table A4. Summary Statistics for Psychological Well-being Regression, 1994-2004

Variable	With shock		Without shock	
	Mean	Standard deviation	Mean	Standard deviation
Change in psychological well-being	-0.11	1.25	0.02	1.04
Move	0.08	0.28	0.07	0.25
Age	63.92	4.83	63.52	4.52
Age squared	4,108	612	4,055	574
Married, previous wave	0.80	0.40	0.65	0.48
Female	0.50	0.50	0.49	0.50
White	0.86	0.34	0.85	0.36
College degree	0.20	0.40	0.25	0.43
Net household wealth, previous wave (in $10,000 units, 2006 dollars)	23.73	44.96	28.38	80.91
Job loss	0.11	0.31	-	-
Health shock	0.85	0.35	-	-
Newly widowed	0.07	0.25	-	-
Newly divorced	0.02	0.15	-	-
Nursing home	0.01	0.08	-	-

Source: Authors' calculations from 1994-2004 HRS.

CENTER FOR
RETIREMENT
RESEARCH
AT BOSTON COLLEGE

About the Center

The Center for Retirement Research at Boston College was established in 1998 through a grant from the Social Security Administration. The Center's mission is to produce first-class research and forge a strong link between the academic community and decision makers in the public and private sectors around an issue of critical importance to the nation's future. To achieve this mission, the Center sponsors a wide variety of research projects, transmits new findings to a broad audience, trains new scholars, and broadens access to valuable data sources. Since its inception, the Center has established a reputation as an authoritative source of information on all major aspects of the retirement income debate.

Affiliated Institutions

The Brookings Institution
Massachusetts Institute of Technology
Syracuse University
Urban Institute

Contact Information

Center for Retirement Research
Boston College
Hovey House
140 Commonwealth Avenue
Chestnut Hill, MA 02467-3808
Phone: (617) 552-1762
Fax: (617) 552-0191
E-mail: crr@bc.edu
Website: http://www.bc.edu/crr

The research reported herein was performed pursuant to a grant from the U.S. Social Security Administration (SSA) funded as part of the Retirement Research Consortium. The opinions and conclusions expressed are solely those of the authors and do not represent the opinions or policy of SSA, any agency of the Federal Government, or the Center for Retirement Research at Boston College.