



# The Relationship Between Pre-Retirement Psychological Distress and Family Wealth at Retirement by Race and Gender: An Analysis From 2007 - 2019 in the United States

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There has been a significant focus on mental health and understanding the long-term implications of mental health, in recent years. This study uses Panel Study of Income Dynamics (PSID) data waves 2007-2019, to analyze the relationship between pre-retirement psychological distress and finances, specifically percent changes in wealth at retirement. Understanding changes in wealth for those with differing experiences with mental health is important for ensuring financial adequacy in retirement.

## Pre-Retirement Psychological Distress and Wealth At Retirement

This study examines the relationship between psychological distress and wealth at retirement using two measures of wealth for each respondent: percent change in wealth including home equity, and percent change in wealth excluding home equity. We use Social drift theory, which posits that psychological distress increases the likelihood of future financial challenges, was used as the guiding theory of this research. Overall, we found that respondents with a history of psychological distress have greater and negative percent changes in wealth at retirement. Black race and female gender were also associated with greater negative percent changes in wealth at retirement. When examining the interaction terms of Race and Gender and Psychological distress, Race was negative and significant for Black respondents when using the wealth with home equity measure, however this term was not significant for the wealth with home equity measure. The Gender (female) interaction term with K6 was negative and significant for both measures of wealth change.

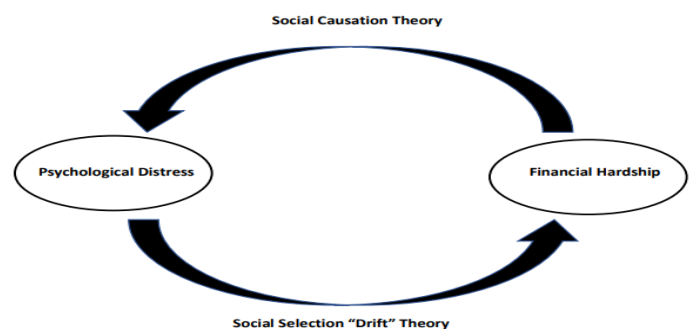


Figure 1



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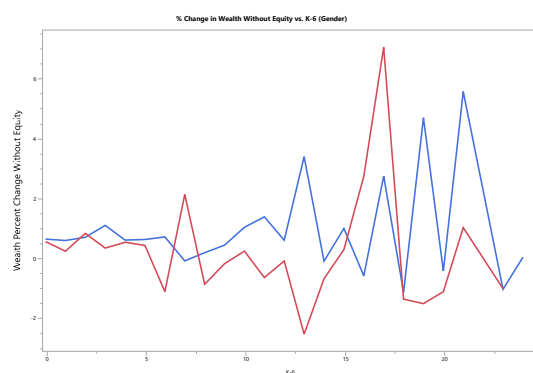
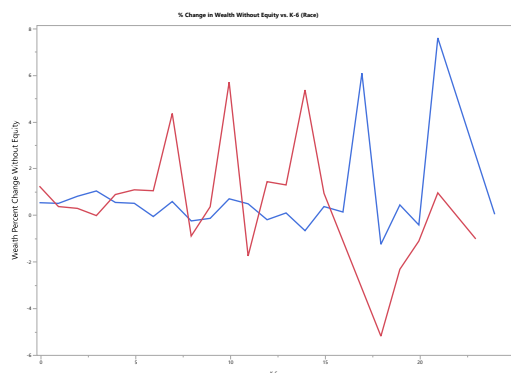
## ***Psychological distress in pre-retirement is associated with greater subsequent reductions in wealth at retirement, even at low levels of psychological distress.***

This study theorizes the relationship between pre-retirement psychological distress and changes in wealth at retirement through the lens of Social Selection Theory, often called Social Drift Theory. Which states that that the experience of psychological distress causes subsequent, negative financial effects.

We found that psychological distress, measured by Kessler-6 index, had a significant and negative relationship with wealth at retirement, even at lower levels of psychological distress, that would not typically receive clinical treatment. Additionally, wealth measured without equity was more sensitive to changes in psychological distress, and other measures, than wealth with equity.

## **There were differences in the relationship between pre-retirement psychological distress and wealth at retirement, by race and gender.**

This study finds that respondents reporting race of Black or gender female was associated with negative changes in wealth. There were differences based upon the severity of pre-retirement psychological distress, with Black and female respondents experiencing greater negative declines, particularly at higher levels of pre-retirement psychological distress.



## **Implications**

- *Pre-retirement psychological distress is associated with negative changes in wealth at retirement for wealth including equity and wealth excluding equity, which can have negative effects on retirement security.*
- *Differences by race and gender highlight the need for targeted interventions, because of the potential for increased financial insecurity in retirement.*
- *Pre-retirement psychological distress is associated with declines in wealth at retirement, even at lower levels of psychological distress, as measured by Kessler-6.*

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