

# WORKING PAPER

## *Executive Summary*

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## DETERMINANTS AND CONSEQUENCES OF MOVING DECISIONS FOR OLDER HOMEOWNERS

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Moving is an important decision for anyone, particularly for older homeowners who may have a long attachment to their residence but face new opportunities (ample leisure time) or challenges (loss of a spouse) that affect their living situation. The lore on how often older Americans move is mixed. While the familiar stereotype is that retirees flock to Florida or Arizona, researchers have found that the home equity of older Americans rises modestly over time, suggesting that they tend to stay put (Venti and Wise, 2002 and 2004; Anderson, French, and Lam, 2004; and Fisher et al., 2007). To date, researchers have seldom directly addressed the migration patterns of older Americans using nationally representative data. Understanding such patterns can be useful in assessing the social and economic circumstances of the elderly. This paper examines moving trends (how often older households move, where they move, and why they move), models a moving decision, and summarizes economic and psychological consequences of their move decisions using the *Health and Retirement Study* (HRS).

Using the original HRS cohort over the 1992-2004 period, we find that the average two-year moving rate is about 7 percent, which is consistent with other studies (Shan, 2008; and Venti and Wise, 2004). While this move rate is relatively modest, a full 30 percent of homeowners moved at least once over the whole period. On average, nearly 60 percent of moves in each wave are less than 20 miles. And over 80 percent are within the same Census region, suggesting no mass exodus to the Sun Belt.

Previous literature suggests that older households may have different motivations for moving (Walters, 2002). Some researchers consider a move decision as a well-planned action, such as a move to warm climate areas (Hays and Longino, 2002) or a move in response to fiscal policies, such as local spending on education or property tax rates (Shan, 2008; Farnham and Sevak, 2006). Others consider a move as a response to some negative shock; for example, a move closer to relatives to be taken care of or to help take care of somebody else, such as parents or grandchildren (Walters, 2002); or a move in response to a spouse's entry into a nursing home or a spouse's death (Venti and Wise, 2002, 2004). Overall, previous literature and initial analysis of self-reported reasons for moving lead to a hypothesis that movers fall into two broad types: those who affirmatively plan to move ("Planners") and those who react to changing circumstances ("Reactors"). Given the different stated motivations of these movers, the determinants and consequences of their move decisions may vary. Thus, we split the sample of movers and non-movers into Planners and Reactors using the absence or presence of a negative shock as a proxy for being a Planner or a Reactor. We then analyze and contrast the determinants and consequences of their move decisions by the type of move.

The explanatory power of our model on the determinants of a move is relatively low, but we do find that several factors influence a move decision – 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. Households that receive a negative shock, such as divorce or death of a spouse, *are more likely* to move compared to non-shock households or households with other types of shocks. 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 model does a better job predicting the behavior of the Reactors than of the Planners. This is not surprising given that Reactors’ decisions to move are driven by observed negative shocks rather than unobserved preferences or other unobserved characteristics – such as the local housing market – that tend to drive the decision for Planners.

As we would expect, the financial consequences of a move differ for the two types of movers. A third of the moving homeowners who experience negative shocks discontinue homeownership compared to 18 percent of households without shocks. We also observe a reduction in home equity for households that experience a negative shock and move. Movers with a shock saw an average decline of \$26,000 while those without a shock saw an average increase of \$33,000. These results are consistent with previous findings that households experiencing the loss of a spouse or entry into a nursing home reduce their equity, while others increase it. Furthermore, they clarify the relationship between home equity and moving. Previous findings that home equity rises with age and that few use equity for general consumption led to the notion that older households do not move. Our analysis reveals that they do move, but the gains of some are offset by the losses of others.

In considering psychological well-being, we expect positive changes for households without shocks and negative changes for those with shocks. For the impact of moving, we hypothesize that movers without a shock planned the move and thus have greater increases in well-being than non-movers. In contrast, we expect that movers with a shock have greater decreases in well-being than non-movers. To test our theory, we created a composite measure of positive and negative feelings and computed the change from the previous wave. As expected, the change is positive for households without a shock and negative for those with a shock. Within each group, the movers had a more positive (or less negative) change than the non-movers, suggesting that moving improves well-being – even for households with a shock. However, the mean changes may not tell the whole story, so we used an ordered logit to analyze how other factors influence well-being (including different shocks). Our results indicate that while moving still helps improve well-being, for households with shocks its effect is overshadowed by the loss of a spouse or nursing home entry.

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