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Marital Dissolution and Personal Wealth: Examining Gendered Trends across the Dissolution Process

Objective: This study examined potentially gendered net worth changes over the marital dissolution process, starting up to 3 years prior to separation and continuing up to 15 years postdivorce.

Background: Incipient literature showed steep wealth declines for men and women associated with divorce, treating marital dissolution as a single point-in-time event. These findings may be limiting as legal regulations and divorce-stress-adjustment research conceptualize marital dissolution as a process that lasts several years.

Method: Using fixed effects regression models, we analyzed changes in personal net worth as well as changes in personal net housing worth

and financial net worth of individuals whose marriages dissolved between 2002 and 2017. Analyses used comprehensive wealth data from the German Socio-Economic Panel study.

Results: Although wealth declines commenced prior to separation, separation was the most critical point with 82% and 76% reductions in personal wealth of men and women, respectively. Divorce did not pose additional wealth penalties, but wealth was also not recovered in years after divorce. The lasting separation penalty was mainly driven by declines in housing wealth and a lack of financial wealth recovery. Overall, both men and women experienced dramatic relative wealth declines with negligible gender differences. Predicted wealth levels, however, indicated that men may be in a financially better position compared to women due to higher pre-separation wealth levels.

Conclusion: Results illustrated important variations in personal wealth measures over the marital dissolution process, which may drive lasting wealth inequalities, particularly with regard to housing wealth for both men and women.

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INTRODUCTION

Since the 1960s, divorce rates have increased in most European and Northern American societies (Eurostat, 2018). This demographic development has prompted ample research on the economic consequences of marital dissolution. Research has predominantly focused on income measures and shown that women experience income declines, whereas the results are

less unequivocal for men (e.g., Bayaz-Ozturk, Burkhauser, Couch, & Hauser, 2018). Some studies even pointed towards income increases for men (e.g., Andreß, Borgloh, Brockel, Giesselmann, & Hummelsheim, 2006).

The consequences of marital dissolution for wealth have attracted less attention. This omission is critical as sufficient wealth provides an important safety net for current and future consumption needs even in the absence of income flows (Killewald, Pfeffer, & Schachner, 2017). Countries with generous welfare systems, such as Germany, increasingly emphasize the need for market-based solutions and private responsibility to secure economic well-being (Seeleib-Kaiser, 2016). It is thus essential to understand the degree to which life course events such as marital dissolution may disrupt wealth accumulation processes.

This paper examines the association between marital dissolution and wealth, and adds to the existing literature in two ways. First, previous wealth-related divorce research has commonly conceptualized marital dissolution as a single point-in-time event by focusing solely on divorce (i.e., the legal dissolution of a marriage) (e.g., Zagorsky, 2005). This may be oversimplistic as a large number of European countries including Germany—the study's country context—commonly only permit legal divorce after a substantial separation period (i.e., division of the couple household into two separate households). Depending on the country, separation and divorce should therefore be considered two distinct stages. Further, sociological and psychological stress research suggests that marital dissolution should be seen as a process with several stages (e.g., Amato, 2000; Pledge, 1992). Based on this literature and legal regulations, we argued that four broad stages of the marital dissolution process can be identified. These stages are theoretically relevant to financial well-being: separation plans during the marriage, the period of separation, the legal divorce proceeding, and postdivorce adjustment. Arguably, wealth levels may vary across each stage in potentially nonlinear ways. Our paper enables a greater understanding of these variations. We thereby provide relevant impulses to enable more targeted interventions and financial assistance for individuals going through marital dissolution.

Second, due to a lack of comprehensive personal-level wealth data, previous research

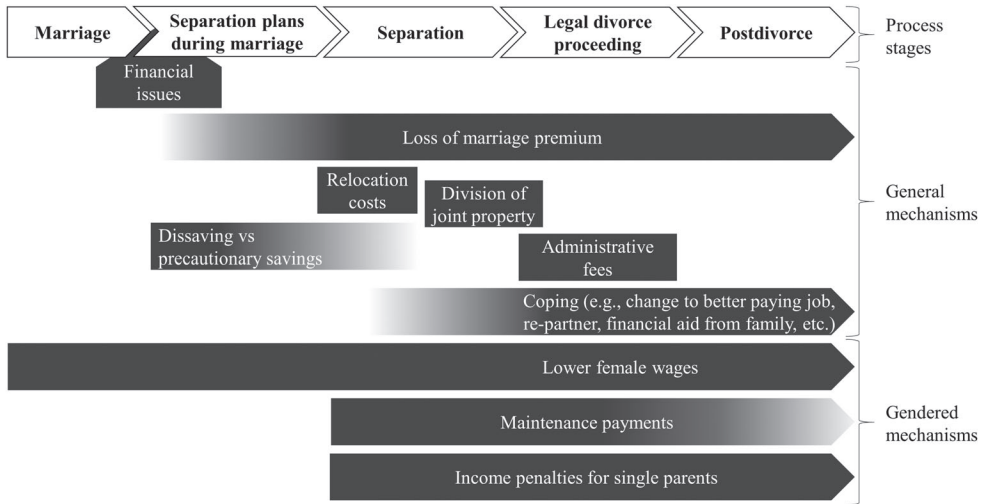
examined the association between marital dissolution and *household*-level wealth measures. For comparability reasons, household wealth was commonly divided in two for married couples (i.e., per capita wealth) and compared to single-headed households' wealth levels after divorce (e.g., Zagorsky, 2005). Such an approach seemed valid for previous studies that commonly focused on the United States, where marital property regimes favor an equal division of all resources (Voena, 2015). However, in a range of European countries, such as Germany, property division at divorce is more regimented and commonly only considers wealth accumulated during the marriage. Premarital wealth (but also personal inheritances or gifts received during the marriage) is thus not necessarily divided. This is critical as previous research illustrated substantial within-couple wealth inequalities, to the disadvantage of women, which largely stem from premarital wealth disparities (Kapelle & Lersch, 2020). A per-capita approach would therefore be misleading in a country such as Germany, and may distort the analyses of potentially gendered effects as men's baseline wealth during marriage is higher than that of women. We thus argue that it is particularly informative to analyze *personal*-level net worth measures to examine economic consequences of marital dissolution for men's and women's net worth in Germany. In this paper, personal net worth, commonly referred to as wealth, is defined as the sum of all personally owned assets minus liabilities, including a person's share of jointly held assets or liabilities.

Two research questions are herein addressed. First, how does personal net worth change over the marital dissolution process? Second, do the observed changes vary for men and women? To address these questions, fixed effects regression models were examined using longitudinal data from the German Socio-Economic Panel Study (SOEP, 2002–2017). The German SOEP data are especially well suited to this research with their unique micro-data on personal wealth collected over four survey years (2002, 2007, 2012, and 2017).

BACKGROUND

Theoretically, the marital dissolution process may be classified into four distinct stages: (a) Separation plans while still living in the marital household; (b) separation of spouses and the

FIGURE 1. HYPOTHETICAL MARITAL DISSOLUTION PROCESS AND ASSOCIATED FINANCIAL COSTS, BEHAVIOR AND INSTITUTIONAL FEATURES.



associated dissolution of the marital household into two independent households; (c) the legal divorce proceeding; and (d) postdivorce adjustments. Figure 1 represents these four stages of the marital dissolution process (top row). Additionally, the figure highlights the costs and financial strategies of marital dissolution. The middle rows show changes in financial behavior and costs associated with different stages of the marital dissolution process. The bottom four rows highlight institutional features that may have gendered consequences for wealth holdings. For example, women typically earn less than men, and in many cases women remain the main carers of children, while men provide maintenance payments to support children. At the same time, both men and women may experience income penalties as single parents with custody of children. Of course, not all marriages dissolve in the same way, and the associated costs and financial coping strategies will vary accordingly. Nevertheless, the figure highlights some of the likely mechanisms underlying changes in wealth holdings from marital dissolution, and, importantly, draws attention to potential variations in wealth outcomes across stages of the dissolution process and by gender.

Stage 1: Separation Plans During the Marriage

The commencement of the marital dissolution process and associated separation plans are

typically instigated by heightened levels of marital dissatisfaction and feelings of estrangement (Amato, 2000; Broman, 2002). During this phase of the marital dissolution process, spouses may experience personal net worth declines as estrangement could cause them to question joint financial investments. This could lead to declining economic cooperation and thus reduced marital wealth premiums (Lersch, 2017). In anticipation of potential future wealth divisions, some spouses may even start to conceal or overspend their wealth (Jeanfreau, Holden, & Brazeal, 2020).

Net worth declines may not only be a result of separation plans, but can also reinforce doubts about the future of a marriage. Previous research illustrated that financial difficulties, particularly increases in consumer debt, are linked to a higher likelihood of marital conflict and thus separation (Dew, 2011; Eads & Tach, 2016). Hence, wealth declines can be the cause or consequence of separation plans, although the two are likely interconnected.

In contrast to findings about personal wealth declines, some researchers have argued that it may also be plausible to expect precautionary savings (Finke & Pierce, 2006; Pericoli & Ventura, 2012). Individuals are likely to anticipate adverse consequences of marital dissolution such as the loss of partner’s income, or costs associated with finding and moving to new

accommodation, and eventual legal fees for divorce proceedings. To avert associated financial declines, previous U.S. research suggested that equal-earning spouses save in anticipation of marital dissolution whereas economically unequal spouses dissave when a dissolution is imminent (Finke & Pierce, 2006). For economically unequal couples the precautionary savings motive is thus likely overruled by concerns of the higher-earning spouse of future resource redistribution to the lower-earning spouse. This is expected to create a saving disincentive for such couples. As within-couple economic inequality is relatively high in Germany (see the German context below for more detail), we argue that dissaving may be a more likely scenario for our country case. Thus, substantial personal net worth declines are expected immediately prior to separation, either due to financial difficulties associated with declining relationship quality, or because couples save less due to declining spousal commitment (*Preseparation Declines Hypothesis*).

Stage 2: The Separation of the Marital Household

In most cases the decision to leave a marriage requires the formation of two separate households. Although this physical separation may be a necessary step to gain emotional distance, it is also a legal requirement for divorce in most European countries. Relocation and the establishment of a new household require a range of one-off payments (e.g., costs for a moving company, new furniture and appliances, rental bond) that may drain savings. Additional ongoing costs due to lower economies of scale and thus higher per capita expenses may lead to persistently increased financial pressure (Sørensen, 1994). Whereas separation requires at least one spouse to move out of the family home, budget constraints often force both spouses to eventually relocate to a more affordable dwelling (Bröckel & Andreß, 2015; Mulder, 2013).

Questions about residency rights become a priority early on during separation, particularly for married homeowners who commonly own their property jointly. The spouse who remains in the family home must legally financially compensate the nonresident spouse while both spouses also continue to pay mortgage installments. While moving out of the family home is associated with relocation costs, remaining

may also incur substantial costs for homeowners (Mulder, 2013).

In addition to residency rights, homeowners also have to decide how to proceed with the family home. Whereas a family home is commonly owned jointly, it also regularly constitutes the major share of the marital wealth portfolio (Thomas & Mulder, 2016). Thus this component is indivisible if spouses lack sufficient cash collateral to buy out the other partner or to qualify for a mortgage by themselves. Selling the family home may therefore be required in order to divide this asset (Lersch & Vidal, 2014). Whereas the housing sale incurs direct costs, such as real estate fees and taxes, it may also be associated with indirect costs of wealth depreciation if the property needs to be sold under time pressure and in a market unfavorable to the seller (Fethke, 1989). Property may then be sold in preparation for the divorce proceeding, particularly if a reconciliation of the marriage seems unlikely and if neither spouse can afford to remain in the family home.

In line with our theoretical ideas, we expect to find a substantial decline in personal net worth during separation compared to marriage (*Separation Penalty Hypothesis*). Given the relevance of housing equity in wealth portfolios of many couples and the economic burden it poses for either spouse during separation, we expect substantial housing net worth declines during separation (*Housing Decline Hypothesis*). It is, however, also possible that some couples only sell their property during the divorce proceeding in an attempt to maintain homeownership and its advantages as long as possible, or because they cannot come to an agreement about the property sale during separation.

Stage 3: Legal Termination of the Marriage

Couples who start the process to legally dissolve their marriage incur substantial administrative costs, such as court fees, solicitors' fees, or fees for counseling and mediation. In the United States, these divorce costs can easily exceed the yearly household income of the former couple (Henry, Fieldstone, Thompson, & Treharne, 2011). In Germany, administrative divorce costs (i.e., court fees and solicitor fees) are legally stipulated and can start from under €1,000 for childless spouses who mutually agree to the divorce and whose value in dispute is below €3,000. Solicitors' fees are not capped,

however, and court fees increase with the complexity of the case and the level of financial value of goods and property in dispute. Consequently, administrative divorce costs can be substantial, which may increase the necessity to resort to savings. The timing of these costs varies as first installments are often required to commence the divorce proceeding at a German court. Final installments are amortized in the months after legal divorce is finalized. Overall, we expect that the divorce proceeding is associated with a sizeable additional net worth penalty compared to separation (*Divorce Penalty Hypothesis*).

Stage 4: Financial Adjustment Postdivorce

Once divorce is settled and final administrative installments are covered, there may be no further one-off payments associated with marital dissolution and any financial gains will no longer have to be shared with the ex-spouse. At this point in the marital dissolution process, we expect divorcees to commence financial recovery with the aim of re-establishing financial security through two main channels: financial transfers and income savings.

With regard to financial transfers, Leopold and Schneider (2011) showed that although financial transfers from parents to their adult children are likely to take place in the year of legal divorce—potentially to aid cover of administrative divorce costs—the authors did not find evidence of further considerable financial transfers in the years following divorce. Thus, financial transfers seem unlikely to contribute to wealth improvements over time. For income, several studies illustrated rising per capita income levels postdivorce due to labor market adjustments or re-partnering (e.g., Andreß et al., 2006; Bayaz-Ozturk et al., 2018; Jansen, Mortelmans, & Snoeckx, 2009). As income recovery may also stimulate wealth accumulation, we expect to see increasing personal net worth in the years after divorce (*Postdivorce Coping Hypothesis*).

Nevertheless, it should be emphasized that net worth is not a direct function of income (Killewald et al., 2017). Rising income after divorce may not necessarily lead to parallel net worth increases. Due to lower economies of scale and higher dwelling costs than during marriage (Andreß, Borgloh, Güllner, & Wilking, 2003; Sørensen, 1994), per capita expenses may stay elevated after divorce, particularly if

divorcees remain unpartnered. Thus increased income may partially or fully be used to cover these costs, which dampens wealth accumulation. Previous research focused solely on unpartnered divorcees and found no substantial effect for time since divorce on per capita net worth (Zagorsky, 2005). As the likelihood to remarry is the highest within the first 5 years after separation, and 50% of divorcees are remarried after 6 years (Jaschinski, 2011), these results may have neglected a large proportion of remarried divorcees. However, even within remarriage, resources are more likely to be managed independently and marital premiums are lower than during the first marriage (Burgoyne & Morison, 1997).

Gender Differences over the Marital Dissolution Process

Previous research showed that German married women hold less personal net worth than their male partners predominantly due to premarital wealth differences that stay stable during marriage (Kapelle & Lersch, 2020). Within-couple wealth differences are commonly cited to be due to age differences (i.e., men are on average older than their female partners) and gender wage inequalities (Grabka, Marcus, & Sierminska, 2015). Thus, men have more time and resources to accumulate wealth prior to marriage entry.

Although differences in the potential to generate income and accumulate wealth likely persist during marriage (and may even be exacerbated through parenthood) economic inequalities are partially compensated through financial transfers between husband and wife (Eickmeyer, Manning, & Brown, 2019). Once spouses separate, formerly voluntary income pooling can be reinforced through legally mandatory spousal maintenance (*alimony pendente lite*) and child support payments meant to preserve marital living standards. Due to women's lower average income and their higher likelihood of residing with children, women are commonly the beneficiary of support payments. In practice, support payments have regularly been considered insufficient, with underpayment and nonpayment commonplace. In Germany, only 28% of entitled women receive full and regular spousal maintenance payments during separation (Andreß et al., 2003).

To secure economic well-being after separation, women may re-enter the labor market or increase working hours (Tamborini, Couch, & Reznik, 2015). However, in light of substantial gender wage gaps, employment restrictions due to women's child care responsibilities, and insufficient support payments, women experience greater and more lasting income declines than men (Bayaz-Ozturk et al., 2018; Bröckel & Andreß, 2015). As men's careers are less disrupted than women's, men's marital dissolution-related income losses are minimal, with some studies even illustrating income improvements (e.g., Andreß et al., 2006; Bayaz-Ozturk et al., 2018). In return, slower income recovery of women and irregular support payments may substantially inhibit separated women's savings potential and increase their reliance on personal savings compared to men.

Legally, marital wealth gains including wealth accumulated during separation are divided equally. Research by Bessièrè (2019), however, showed that despite the *de jure* equal division of marital property, *de facto* division tends to reproduce gender inequalities and thus disadvantages women. Overall, we therefore expect that personal net worth declines during separation and the divorce proceeding are larger for women than for men (*Gendered Wealth Decline Hypothesis*).

Once divorce is settled, support payments (particularly alimony—if paid in the first place) tend to diminish in the years after legal divorce, further reducing the equalization of income disparities between ex-spouses (Fine & Fine, 1994). This leads to increasing economic pressure for women, while it additionally eases men's financial obligations and increases the level of available resources they may save. Additionally, men are likely to hold more absolute wealth immediately after a divorce which can be invested, as premarital wealth differences are not considered in the division of property and thus maintained. Although re-marriage has been shown to be a viable strategy to increase available income after divorce (Jansen et al., 2009) and to partially recover wealth (Wilmoth & Koso, 2002), men are more likely to re-partner than women, particularly if women reside with children (Di Nallo, 2018). Thus, we anticipate wealth accumulation to be lower for women than men in the postdivorce years, leading to men's quicker reduction of

wealth losses than women (*Gendered Recovery Hypothesis*). Previous U.S. research that focused on per capita net worth partially supported the idea of growing gender wealth inequalities after divorce. Zagorsky (2005) and Yamokoski and Keister (2006) indicated that economic disadvantage following divorce is slightly larger for women than for men, although differences were not statistically significant.

The German Context

Given this study's focus on German data, it is important to understand the specific German context that may influence personal net worth changes over the marital dissolution process.

Economic gender inequality. Compared to the United States, where individual state policies encourage married women's employment, German policy emphasizes a woman's role as caregiver and provides incentives for married women to reduce their work hours (Aisenbrey & Fasang, 2017). Part-time employment rates are comparatively high amongst German married women, and particularly high amongst mothers. Only 25% of German couples with children are dual earning couples, compared to 40% in the United States (OECD, 2019). Subsequently, German wives earn and own less than their husbands (Grabka et al., 2015; Trappe & Sørensen, 2006). The within-couple net worth gap was recently estimated to be €33,000 to the disadvantage of female partners (Grabka et al., 2015). Although the German social security system is more generous than the U.S. system, differences in income and labor market patterns make German women's financial situation more volatile immediately after marital dissolution than for U.S. women (Bayaz-Ozturk et al., 2018). For Germany, Andreß et al. (2006) illustrated that women take on average 12 years to reach pre-separation income levels.

De jure division of matrimonial property at divorce. After a minimum of 1 year of separation, German couples can legally dissolve their marriage at a family court. This process usually takes less than a year but can be prolonged in difficult cases. Although property ownership stays untouched during a separation, divorce requires an equalization of the accrued gains (*Zugewinnsausgleich*) to be enforced under

the default regime of community of accrued gains (*Zugewinnngemeinschaft*). This equalization of accrued gains only considers wealth acquired during marriage with personal inheritance and gifts exempt. If the accrued gains of one spouse exceed those of the other, the wealthier spouse has to make an equalization payment to the less wealthy spouse amounting to half the difference in accrued gains. The German regime therefore differs substantially from the U.S. system, where future needs of divorcees are considered in the division process (Voena, 2015).

Financial support and obligations after separation and divorce. To compensate per-capita income declines of lower earning spouses throughout separation and divorce, the higher earning spouse (typically the man) is legally obliged to support the former partner through separation alimony and postdivorce alimony. Separation alimony is granted to ensure the preservation of marital living standards and does not require the payee to establish financial independence (e.g., increase working hours). This differs from postdivorce alimony as the legal framework emphasizes the principle of financial self-sufficiency after divorce. Postdivorce alimony is only granted if specific circumstances are given, the most important being child care responsibilities. In January 2008, regulations for postdivorce alimony were further tightened and a stronger emphasis was put on the obligation to work. Whereas the duration of payments was less regulated prior to 2008, the duration of postdivorce alimony remains temporary and is commonly restricted to 3 years after childbirth unless an extension is granted (Bröckel & Andreß, 2015). Nonpayment or underpayment of alimony continue to be common for the majority of eligible spouses (Andreß et al., 2003).

Monetary child support must be paid by the nonresidential parent. Nevertheless, only a minority of residential parents receive child support from their ex-spouse, and only half of all payments are sufficient, making non- and underpayment a substantial issue (Bröckel & Andreß, 2015). Single parenthood and noncompliance with child support payments disproportionately affects women's financial circumstances as children more commonly reside with mothers after separation and divorce (Statistisches Bundesamt, 2018).

DATA AND METHOD

Data

To examine the associations between the marital dissolution process and measures of personal net worth, longitudinal, individual-level data from the German Socio-Economic Panel Study (SOEP) (<https://doi.org/10.5684/soep.v34>) was used. The SOEP survey is a large, annual, multi-purpose panel survey that is representative of Germany's resident population.

The SOEP data were particularly well suited for our purposes as they (a) include detailed information on respondents' marital pathways to allow an analysis of the marital dissolution process; (b) enable the analysis of marital dissolution outcomes due to a sufficiently large subsample of respondents who experience this event; and most importantly, (c) are internationally unique in providing comprehensive longitudinal information on net worth at the individual level over four survey years (2002, 2007, 2012, and 2017). In comparison, other household panel studies such as the Panel Study of Income Dynamics collect the main share of wealth data at the household-level, assuming that those household resources are largely shared and pooled between household members.

In our analyses, we used wealth data that were edited and imputed by the SOEP survey team (see Grabka & Westermeier, 2015). In addition, we imputed missing data with chained equations for all other analytical variables using Stata's *mi* procedure (version 16). A brief technical description of the imputation process is provided in Appendix S1. To enhance the quality of our imputations, a range of relevant auxiliary variables, such as migration background or the number of siblings, was included. A detailed list of the entire set of variables used in the imputation process, including all auxiliary variables, can be found in Table S3 in Appendix S1. The table additionally provides the share of missing values addressed through imputation. Estimation results from five imputed data sets were combined using Rubin's rules (Rubin, 1987).

Analytical Sample

For the analytical sample, successfully interviewed individuals aged 18 years and older living in private households were selected if they were either continuously first-time married or if they experienced a separation or legal divorce

from their first marriage between 2002 and 2017. Respondents who experienced a first marital dissolution were considered part of the sample if they experienced the entire dissolution process (i.e., from married to separated to divorced) between 2002 and 2017 or only stages of it (i.e., married to separated, or separated to divorced) as some stages of the dissolution process may have occurred before 2002 or after 2017. To minimize distortion of results due to selection bias, separated and divorced respondents who lived alone or with a new partner after marital dissolution were included. While all survey waves were used to create the explanatory variable and other covariates, the analytical sample was restricted to survey years 2002, 2007, 2012, and 2017, as wealth data were collected in these years. Based on these criteria the sample contained 7,952 women (7,342 continuously married and 612 experiencing a marital dissolution) and 7,628 men (7,166 continuously married and 462 experiencing a marital dissolution).

Two final restrictions were applied to this sample: First, we excluded 39 sample respondents (17 men and 22 women) who lived with their (ex)spouse in the same household for at least 2 years or more at any time after their initial separation, potentially indicating a reconciliation of the marriage. Second, due to analytical requirements of the fixed effects model, 729 continuously married respondents (341 men and 363 women) and 25 respondents with a marital dissolution (11 men and 14 women) had to be excluded who were not successfully interviewed in at least two of the possible four wealth waves.

In total, the final analytical sample comprised 7,555 women with 20,300 individual-year observations and 7,259 men with 19,639 individual year observations. Analyses were thus based on an unbalanced panel with a minimum of two (41% of the sample) and maximum of four (37%) observations per respondent. The sample included 222 marital separations for women and 173 separations for men. Additionally, 380 transitions into divorce for women and 276 for men were observed. Considering sample respondents for whom divorce was observed between 2002 and 2017, we found that respondents were separated on average for two-and-a-half years before their legal divorce. On average, sample respondents were married for 15 years before they separated (see Table S1. in Appendix S1 for a descriptive overview).

Measurements

Outcome variables. The main outcome measure of personal net worth was defined as the sum of all personally owned assets minus personally owned liabilities. Assets included the personal asset value held in real estate, financial assets (e.g., savings balance, shares, bonds), life insurance, private pension plans, business assets, and valuable assets (e.g., gold, jewelry). Due to the nature of the German public pension system, public pension points are not collected within the SOEP. These entitlements can only be accessed as a form of monthly income during retirement and cannot be liquidized, transferred, or used as collateral as is the case for other wealth components. Liabilities cover mortgage debt and consumer credits. Assessing personal-level net worth instead of household-level net worth was feasible as wealth data were collected separately for each household member aged 17 and older within the SOEP. Data collection thereby proceeded in a three-step process: (1) a filter question was used to assess whether a respondent held a certain wealth component; (2) the market value of held wealth components was recorded; and (3) for wealth components that may be held jointly (e.g., real estate), respondents were asked to indicate whether they held these wealth components solely or jointly, and in the case of joint ownership, provided the share they co-owned (see Appendix S1 for further detail on SOEP wealth measures).

Personal net worth was adjusted for inflation and top- and bottom-coded at the 0.1% level. Following these adjustments, the overall personal net worth measure was disaggregated into personal housing net worth and personal financial net worth. Whereas housing net worth referred to the primary property including potential mortgage debt, personal financial net worth referred to the remaining more liquid resources (Spilerman, 2000). As liabilities were subtracted from assets, respondents may hold negative net worth. To maintain negative values while adjusting for the right-skewness of the data, an inverse hyperbolic sine (IHS) transformation was deployed for all three measures (Friedline, Masa, & Chowa, 2015).

Main explanatory variable. The main explanatory variable was a categorical indicator of the marital dissolution process in six categories: (a) married and at least 4 years prior to separation

(reference); (b) married and between 1–3 years prior to separation; (c) separated and not undergoing legal divorce proceedings; (d) undergoing legal divorce proceedings, including up to 1 year after the legal divorce date; (e) two to 5 years after the legal divorce date; and (f) six to 15 years after the legal divorce date. Note that the second category focused specifically on up to 4 years prior to separation as descriptive results from Zagorsky (2005) provided some indication that per capita wealth started to decline within those years. It also aligned with previous research reporting a decline in marital satisfaction prior to separation (Chiriboga, 1982). As the majority of separations proceeded to divorce within a relatively short timeframe, the years of separation were captured with a single category. In line with previous research (Symoens, Bastiaens, Mortelmans, & Bracke, 2013), the last 12 months within the separation period were excluded from the separation category as this time likely reflected the span of the legal divorce proceeding, which commonly takes up to 1 year in Germany. As any outstanding solicitor or court fees need to be settled in months after a divorce is finalized, up to 12 months after legal divorce was additionally covered in this first divorce category. As we could cover up to 15 years after legal divorce in our sample, the postdivorce coping process was addressed in two categories to investigate variations in net worth recovery over this relatively long period. Cell sizes across the categories are provided in Table S2 in Appendix S1.

Control variables. Fixed effects regression models were estimated with a set of time-variant control variables. Respondents' age and age as a quadratic term were added to capture maturation effects. We also included year dummies for the survey years 2002 and 2007 to account for potential underreporting of personal wealth in the first wealth waves, as previously shown for income measures within panel surveys (Fisher, 2019). Next, a continuous measure for marital duration was added to capture time-dependent marriage wealth premiums. The duration measure was mean-centered and set to zero for observational years in which respondents were separated or divorced. Finally, a dummy was included to flag imputed wealth data.

As the association between the marital dissolution process and personal net worth can be expected to work partially through mechanisms such as re-partnering, living arrangements

Table 1. *Personal Net Worth (IHS) Levels for Men and Women across the Marital Dissolution Process*

	Women	Men
Married, >3 years prior to separation	6.23	7.38
Married, 1–3 years prior to separation	5.22	7.42
Separated	4.97	6.05
Divorce proceeding	3.91	5.90
Divorced, 2–5 years after legal divorce	4.99	4.27
Divorced, 6–15 years after legal divorce	3.64	4.04

Notes. The table displays net worth levels solely for respondents who experience a marital dissolution; imputed and weighted data. Data are from the Socio-Economic Panel Survey version 34 (2002, 2007, 2012, and 2017).

(e.g., living with family or friends, children in the household), or family support, as well as employment and associated income adjustments, we decided against accounting for those potentially mediating factors in our main analyses. For selected supplementary analyses, however, we added a remarriage dummy and categorical employment status indicator (full-time [reference], part-time, not in employment).

Analytical Strategy

To provide a first indication of the development of personal net worth throughout the marital dissolution process, IHS-transformed personal net worth levels at different stages of the marital dissolution process were calculated separately for men and women (see Table 1).

We next proceeded to multivariate regression analyses using a fixed effects regression approach. To ease the readability of the results, results were plotted and presented in graphic form (coefficients from the regression models are presented in Table S4 in Appendix S1). Fixed effects regression models leveraged the panel data and regressed deviations from individuals' person-means in the dependent variable on deviations from their person-means in the independent variables (Allison, 2009). This approach made exclusive use of the within-individual variation in the explanatory and outcome variables over time, and more appropriately addressed selection effects (e.g., individuals who experienced a parental divorce are more likely to separate or divorce (Amato & DeBoer, 2001)). Thus, time-invariant observed or unobserved factors (e.g., family background, parental education, or ethnicity) did not bias our

fixed effects analyses, thereby reducing omitted variable bias. As time-constant variables of interest, such as gender, dropped out of the fixed effects model, our categorical marital dissolution measure was interacted with gender. This allowed an assessment of the gendered effects in a straightforward manner. For all regression models, standard errors were corrected for clustering of observations within individuals. Wald tests were used to establish whether potential differences between marital dissolution stages were statistically significant.

As we used imputed data for our entire analyses, it should be highlighted that stochastically imputed values differ across the series of m imputed dataset to reflect the uncertainty regarding the missing data mechanisms. This avoids overly precise inferences, but naturally results in larger confidence intervals and a potential lack of statistical significance despite substantial effects.

RESULTS

Bivariate Results

Table 1 provides weighted descriptive results on the relationship between marital dissolution and IHS-transformed personal net worth for men and women who experienced a marital dissolution. Overall, descriptive results illustrated a step-wise decline of personal net worth for both men and women that surprisingly continued in the years after legal divorce. In line with previous research on the within-couple wealth gap (Grabka et al., 2015), women held substantially less IHS-transformed personal net worth during marriage than men. These gender differences stayed relatively constant through the dissolution process. Supplementary descriptive results for untransformed net worth levels (mean and median) can be found in Appendix S1 (Table S5).

Wealth Changes over the Dissolution Process

Due to observed and unobserved compositional differences between respondents who experienced a marital dissolution, as well as other idiosyncratic changes that may occur across time, we continued to formal tests of our hypotheses using a fixed effects regression approach.

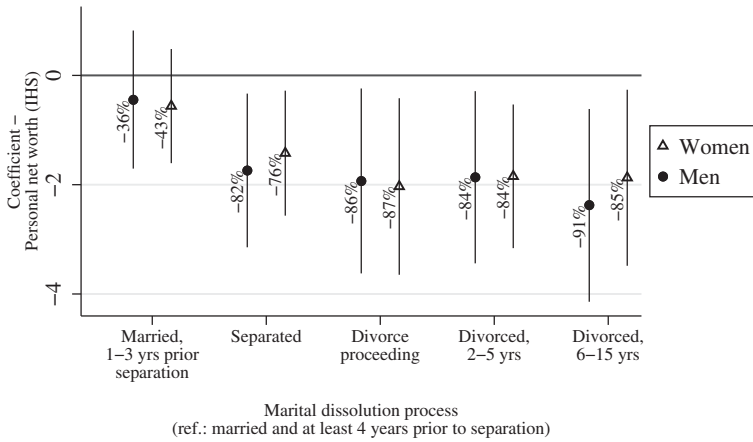
Before we proceeded to a detailed assessment of net worth changes across the previously identified marital dissolution process stages, we ran a fixed effects model with a simple dummy indicator of divorce in line with previous research by Zagorsky (2005) (full model results are reported in Table S6 in Appendix S1). Men and women were found to hold 66% and 62% less personal net worth after divorce, respectively, which is substantially below the divorce penalty found by Zagorsky (2005) using U.S. data. It should be acknowledged, that the total value of administrative divorce costs likely varies in the two countries as outlined previously. Additionally, we argued that wealth may decline prior to divorce (i.e., during separation). This is important as Germany requires a more substantial separation period before legal divorce, whereas separation is rather short or not mandatory in the majority of U.S. states. Using a divorce dummy, net worth levels during separation and marriage were grouped together within the reference category, which could bias results particularly for Germany. We therefore proceeded to our more detailed analyses of wealth changes over the marital dissolution process, including time prior to separation and after legal divorce.

Regression results for personal net worth changes are depicted in Figure 2 (full model results are reported in Table S4 in Appendix S1). Results are also reported by disaggregated net worth, namely personal housing net worth and financial net worth, in Figure 3 (see also Table S4 in Appendix S1). As indicated in the bivariate results and by previous research (e.g., Kapelle & Lersch, 2020), it should be noted that the baseline net worth levels for men and women differed, with men owning substantially more personal net worth during marriage than women.

Stage 1: Separation plans. First, it was hypothesized that individuals would decrease their personal net worth prior to separation as a cause or consequence of separation plans (*Preseparation Declines Hypothesis*). For both men and women the results indicated low to moderate (but statistically nonsignificant) personal net worth declines of 36% and 43%, respectively, compared to personal net worth during marriage and at least 4 years prior to separation.

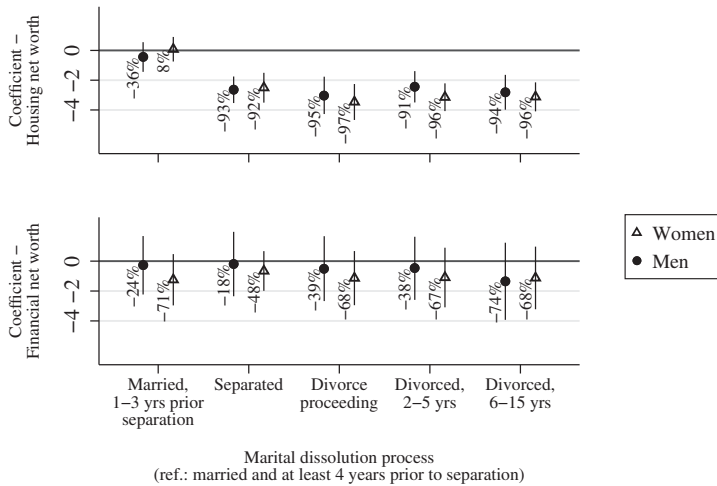
Stage 2: Separation of the marital household into two households. Second, substantial separation penalties for overall personal net worth were expected due to relocation costs, higher per

FIGURE 2. FIXED EFFECTS REGRESSION COEFFICIENTS FOR PERSONAL NET WORTH (IHS-TRANSFORMED).



Notes. Whiskers indicate 95% confidence intervals. Percentages indicate retransformed coefficients ($=100 \times [\exp(b) - 1]$). Data are from the Socio-Economic Panel Survey version 34 (2002, 2007, 2012, 2017; unweighted; multiply imputed). Full model results in Table S4 in Appendix S1.

FIGURE 3. FIXED EFFECTS REGRESSION COEFFICIENTS FOR HOUSING NET WORTH AND FINANCIAL NET WORTH (IHS-TRANSFORMED).



Notes. Whiskers indicate 95% confidence intervals. Percentages indicate retransformed coefficients ($=100 \times [\exp(b) - 1]$). Data are from the Socio-Economic Panel Survey version 34 (2002, 2007, 2012, 2017; unweighted; multiply imputed). Full model results in Table S4 in Appendix S1.

capita expenses, or potential unfavorable liquidation of assets (*Separation Penalty Hypothesis*). For both men and women regression results illustrated substantial and statistically significant separation penalties of 82% and 76%, respectively, compared to personal net worth during marriage and at least 4 years prior to separation. In contrast to the suggestion of larger

declines for women, we found only marginal and statistically nonsignificant gender differences.

The association between separation and housing net worth was also examined, as housing property is likely accumulated jointly during marriage and often constitutes the main wealth component (Thomas & Mulder, 2016). Financial constraints may force separated individuals

to sell their property (Lersch & Vidal, 2014) leading to substantial declines in personal housing net worth during separation (*Housing Decline Hypothesis*). As depicted in Figure 3, the results confirmed major penalties for housing net worth of 93% and 92% for men and women, respectively. Simultaneously, coefficient effects sizes for financial net worth indicated only slight further declines compared to marital levels. This may highlight that profits from the housing sale were not simply transferred into liquid assets but were potentially used up to cover outstanding mortgage debts and other separation-related costs.

Stage 3: Legal divorce proceedings. Third, it was expected that a sizable additional decline of personal net worth would be observed during the divorce proceeding due to administrative costs (*Divorce Penalty Hypothesis*). As illustrated in Figure 2, men and women held 86% and 87% less personal net worth, respectively, during the divorce proceeding compared to during marriage and at least 4 years prior to separation. Comparing separation and the divorce proceeding, men's and women's personal net worth did not decline further in contrast to our expectations. We found only marginal gender differences in relative net worth declines during the divorce proceeding, which were statistically nonsignificant as illustrated by gender interactions.

Stage 4: Financial Adjustment Postdivorce. Finally, it was anticipated that personal net worth would increase after divorce once divorce costs were largely settled (*Postdivorce Coping Hypothesis*), with men expected to experience steeper postdivorce wealth accumulation compared to women (*Gendered Recovery Hypothesis*). Contrary to our expectations, the regression results did not highlight substantial net worth increases for either men or women in the years after divorce. Rather, personal net worth, but particularly housing net worth, stayed at levels found during the divorce proceeding and thus substantially and significantly below those found during first marriage. It should be highlighted that underlying, age-related maturation effects on wealth accumulation were accounted for. For financial net worth, estimates were more imprecise, but indicated that both men and women held less financial net worth in the years after divorce compared to during marriage. Gender differences were marginal and not significant.

To further scrutinize results around financial coping after divorce, we re-ran our analyses controlling for remarriage and respondents' employment status, as those factors were found to mediate income recovery (Jansen et al., 2009; Wu & Schimmele, 2005). For net worth and more specifically housing net worth, our results, however, stayed consistent even with the inclusion of income-recovery mechanisms (see Figures S1 and S2 in Appendix S1). This potentially emphasizes the restrictive nature of the German housing market and the general perception of homeownership as a once in a life-time experience for many Germans (Lersch & Dewilde, 2018; Voigtländer, 2014).

As reference net worth levels were lower for women than for men based on within-couple wealth differences, we additionally scrutinized gender differences further. Although percentage declines were similar for men and women over the entire dissolution process, absolute net worth levels were likely higher for men than for women, as already indicated by our descriptive results. This trend was confirmed by predicted IHS-transformed net worth levels based on our fixed effects regression results (see Figure S3 in Appendix S1). Predicted level differences between men and women were, however, statistically insignificant potentially due to natural uncertainty introduced by the multiple imputation.

Robustness Analyses

A range of additional analyses were conducted to further assess the robustness of our results (see Appendix S1). First, we validated whether time spent in separation biased our results. While longer separations may provide time for wealth recovery, they alternatively signal particularly complex wealth portfolios or custody battles, and therefore place greater strains on financial resources. The fixed effects regression analyses were re-run without respondents that were separated for more than 5 years (Figures S4 and S5). Although sample sizes were reduced, these results were in line with main results.

Second, we examined whether the imputation of SOEP data or our own imputations of additional analytical variables impacted our results. Thus, we first re-ran our analyses without SOEP imputed wealth data and in a second step, used listwise deletion to maintain only nonimputed values for all analytical variables

(Figure S6–S9). Although these analyses used substantially smaller samples, which reduced the power of our analyses, the results reflected our main models.

Finally, we examined whether there was evidence for informative censoring (i.e., participants attrition is due to reasons related to the study) in our data by predicting attrition using wealth and a dummy for marital dissolution. We found that less wealthy men and women were statistically more likely to attrite. Although effect sizes for marital dissolution were comparable to those of wealth, marital dissolution was not a statistically significant predictor of attrition. Previous studies highlighted that attrition is predominantly due to participants' relocations and changes in interviewers whereas other characteristics are only of minor importance. These studies further showed that attrition rarely biased main analyses (e.g., Behr, Bellgardt, & Rendtel, 2005).

DISCUSSION AND CONCLUSION

In light of historically high divorce rates and rising importance of a sufficient personal financial safety net, the association of net worth and marital dissolution is a central issue within family research. In the present study, we examined personal net worth changes of men and women over the marital dissolution process. Our theoretical expectations were informed by the idea that marital dissolution is not a single point-in-time event but involves a number of stages both prior to and after legal divorce. We argued that each stage is associated with potentially unique challenges and behavioral adjustments with implications for overall net worth, as well as specific wealth components at each stage. Further, building on previous evidence on gendered marital dissolution-related income declines and evidence of substantial within-couple wealth disparities, we also expected marital dissolution to have gender-specific consequences for personal net worth. Our analyses focused on Germany, a rather conservative country with substantial economic gender inequalities and more regimented marital property division regulations than in the United States. Fixed effects regression models using German SOEP data were examined to test our hypotheses.

Consistent with previous research on per capita net worth by Zagorsky (2005), we found that divorce is associated with substantial

personal net worth decline for both men and women. However, our results advance current knowledge about this divorce penalty in important ways. In line with our *Preseparation Declines Hypothesis* and *Separation Penalty Hypothesis*, our results suggested that personal net worth of men and women starts to decline in the years immediately prior to separation (i.e., during marriage) and drops dramatically during separation in preparation of legal divorce proceedings. The legal divorce proceeding itself was, however, not related to substantial additional penalties in contrast to our *Divorce Penalty Hypothesis*. Net worth levels during the divorce proceeding were rather comparable to levels during separation for both men and women. Although divorce costs are likely substantial, these costs are comparatively low in Germany and can generally be covered with several smaller installments. Divorcing individuals may therefore be able to cover installments with monthly income instead of drawing on their already critically reduced personal wealth reserves. Legal aid or *inter vivos* transfers from parents to their divorcing children may further help to cover administrative divorce costs (Leopold & Schneider, 2011).

Contrary to our *Postdivorce Coping Hypothesis* and previous research on postdivorce income recovery (e.g., Andreß et al., 2006; Bayaz-Ozturk et al., 2018), we did not find any substantial recovery in personal net worth for either men or women in the years after legal divorce. This potentially highlights the fundamental differences between income and wealth measures. Income captures the current flow of money, which can easily be enhanced through increases in working hours or job changes and promotions. Wealth, as a stock measure, is less responsive to such adjustments and not a direct function of income, as aspects such as consumption or financial transfers additionally influence wealth accumulation (Killewald et al., 2017). This is important as consumption costs likely remain elevated after divorce (Andreß et al., 2003; Sørensen, 1994). Wealth recovery after divorce may thus require more than “simple” income increases.

Dividing personal net worth into financial and housing net worth illustrated that separation penalties and the persistently depleted net worth thereafter were predominantly driven by housing net worth losses in line with our *Housing Decline Hypothesis*. Both men and women

forfeited on average 92% to 93% of their housing net worth during separation indicating that the large majority of couples lost their homeownership status as previously suggested by Lersch and Vidal (2014). Results for housing and financial net worth further highlighted that persistently low net worth after separation, including years after divorce, were due to a lack of housing net worth recovery. This was likely amplified by a lack of substantial financial net worth that could be used as a deposit. In Germany, homeownership is often seen as a once-in-a-life time opportunity as property acquisition in the prudential German mortgage system requires substantial deposits and income security (Lersch & Dewilde, 2018; Voigtländer, 2014). The strong rental housing market nevertheless provides a viable alternative to homeownership, albeit one that does not encourage property-related wealth accumulation. This finding is especially critical as homeownership is gaining increasing importance as a means to secure living standards throughout the life course, and particularly during retirement. Overall, marital dissolution thus seems to contribute to wealth inequality predominantly through the loss of housing net worth and lack of financial collateral in the years after divorce to re-enter homeownership. This likely intersects with a lower perceived need of and institutionally restricted access to homeownership within the German housing market.

We also advanced previous literature by scrutinizing potential gender differences. As indicated by our *Gendered Wealth Decline Hypothesis*, we expected that women experience larger wealth declines during separation and at divorce than men due to a possibly gendered division of marital property and men's higher premarital wealth. Further, we expected that men would accumulate wealth at higher rates after divorce based on their higher wealth accumulation potential, which we defined in our *Gendered Recovery Hypothesis*. Overall, we found no support for these expectations and our results rather showed that men and women experience similar relative net worth declines throughout the marital dissolution process. One explanation for nonsubstantial gender differences could be based on the concentration of couples' wealth in housing property, which is commonly acquired jointly during the marriage (Joseph & Rowlingson, 2012; Thomas & Mulder, 2016). Our results may be largely driven by housing net worth. Additionally,

wealth components that are not divided (i.e., premarital wealth, and personal inheritances and gifts received during the marriage) may only constitute a small share of the overall wealth. Thus, our findings show that the effects of marital dissolution on net worth have important consequences for both men and women, and by implication, their children. Nevertheless, predicted net worth levels for men and women across the marital dissolution process illustrated that women overall hold less net worth than men at any time. As women also experience more precarious income situations during separation and after divorce compared to men (e.g., Bayaz-Ozturk et al., 2018), marital dissolution likely constitutes a life course transition that increases women's economic vulnerability to a larger extent than men's.

With regard to gender differences, we should acknowledge that bias might be introduced by self-reported personal wealth data. We relied on the respondents' judgment about their share of jointly owned assets. It is unclear whether perceived and legal ownership of wealth overlap, and which aspect drives responses (Ambler, Doss, Kieran, & Passarelli, 2019). If respondents' reports were inaccurate, we may have over- or underestimated the wealth consequences of marital dissolution for both men and women. Moreover, reporting differences may have varied by gender. For example, women may be less involved in managing finances and less aware of wealth assets while married, while men may overestimate their personal share based on higher income contributions. As the research on wealth inequalities grows, wealth data from other sources including administrative data may become available to further verify reports of personal wealth of men and women.

To conclude, our study provided new evidence on how marital dissolution may contribute to wealth inequalities between households. Marital dissolution is linked to net worth inequalities between first-time divorcees and those continuously married through the loss of housing net worth mainly during separation, which does not recover even in years following divorce. A lack of housing net worth recovery was likely amplified by a lack of sufficient financial net worth as collateral for a deposit. As the relevance of housing property to secure living standards in old age increases, our results highlight potentially lasting inequalities. Partially based on the high relevance of housing property within the wealth

portfolio during marriage and the joint acquisition of housing property, both men and women experienced similarly dramatic relative declines in their personal net worth. As men are, however, more likely to hold more absolute wealth, financial vulnerability during marital dissolution and thereafter is likely higher for women.

While our study is one of the first to explore the economic consequences of marital dissolution for personal net worth of men and women over a number of stages prior to and following divorce, our analyses were limited by four waves of wealth data. As wealth data grow, future research should additionally scrutinize potential heterogeneity of marital dissolution-related wealth penalties across the wealth and age distribution. Wealth consequences of “gray divorce” are of particular interest in light of the growing numbers of couples that dissolve their relationships in older age, and the simultaneous increase in personal responsibilities to secure economic well-being in older age. Additionally, a comprehensive analysis of the different asset and liability components seems relevant. This may help to understand how wealth portfolio compositions change through marital dissolution and provide a more detailed picture of the financial situation of divorcees. Finally, postdivorce wealth accumulation processes and mediating factors are of particular interest in order to identify risk groups and more resilient divorcees. This has the potential to provide additional policy-relevant impulses to mitigate marital dissolution induced wealth inequalities over time.

NOTE

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SUPPORTING INFORMATION

Additional supporting information may be found online in the Supporting Information section at the end of the article.

Appendix S1. Supporting information.

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