In this paper, we analyze the evolution of wealth during retirement in Sweden. Understanding wealth dynamics over the life cycle is an important issue for policymakers, especially as households have increasing responsibility for managing their retirement assets. Because of Sweden’s generous social insurance programs, Swedish retirees face less medical spending risk than retirees in the United States. This allows us to better identify the effects of non-medical determinants of retirees’ behavior, such as changes in household composition, cost-of-living differences, social security benefits, and other policies. Another advantage of studying Sweden in particular is the rich administrative data sources available on the Swedish population.

To facilitate comparisons between Sweden and the United States, our research follows closely an earlier study by Poterba, Venti, and Wise on wealth dynamics during retirement in the United States. They found that among households that do not experience a household composition shock, total assets tend to increase during most of the retirement period. Among households that experience a household composition shock, on the other hand, assets tend to grow much more slowly or even decline significantly at the time of the shock. These results suggest that in the United States, uninsured medical expenses and related costs in the period leading up to the death of a spouse can be substantial.

We find that the patterns of wealth drawdown among retirees in Sweden are qualitatively similar to those found in the US. Much like retirees in the US, retirees in Sweden tend to draw down their assets more slowly than is predicted by simple life cycle models. There are, however, quantitative differences in asset drawdown between countries, particularly in conjunction with the death of a spouse. One would expect, given the differences in medical coverage between the two countries, that household composition shocks relating to health problems, such as spousal death, would have a larger impact on household wealth in the US than in Sweden. Indeed, our results indicate that spousal death is associated with more modest declines in assets in Sweden than in the US.

Yet our results also indicate that Swedish retirees are not completely insulated from the financial consequences of health shocks, as spousal death is associated with non-negligible declines in household wealth. Given the near-completeness of Sweden's social insurance programs, this result suggests that a non-negligible portion of the effects of spousal death on household assets arises not from medical expenses but from other factors that occur at the time of death.

The apparent similarity between Sweden and the US in the patterns in the evolution of wealth during retirement is in many ways surprising. There are many important differences between Sweden and the US in terms of institutions that would be expected to affect the evolution of wealth among retirees. Foremost among these differences is the differing extent of coverage against the financial consequences
of poor health from universal government health insurance programs. Retirees in Sweden have nearly all of their medical care paid for by government programs. Retirees in the US, by contrast, spend a significant amount of money on medical care. These payments consist of premiums for government and private health insurance programs, deductibles and co-payments for various health services whose costs are partly covered by insurance, and direct out-of-pocket spending on services not covered by insurance, such as the many long-term care services that are covered neither by Medicare nor by most private health insurance contracts.

Our research did identify at least one important difference in the patterns of wealth across the two countries: A larger fraction of retired households in Sweden than in the US hold very little wealth. This difference seems likely to be explained by another important difference in the institutional environment between the US and Sweden. Welfare programs in Sweden provide a higher living standard than do their counterparts in the US; and may substitute for what people might otherwise save privately. A more detailed analysis of this and other differences between the US and Sweden is a promising avenue for future research.

The full working paper is available on our website [www.nber.org/programs/ag/rrc/books&papers.html](http://www.nber.org/programs/ag/rrc/books&papers.html) as paper NB13-03.

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