

**For immediate release: Monday 29 April 2013**

## **Building up a nest egg? LSE research shows a divorce might be on the cards...**

Couples tend to save significantly more as the risk of divorce increases according to new research by the London School of Economics and Political Science (LSE), published in the latest edition of *The Journal of Human Resources*.

The research by Dr Berkay Özcan from LSE and Dr Libertad González from Pompeu Fabra University in Barcelona found that for every ten per cent increase in the risk of divorce, families increase their savings, as a proportion of household income, by two percentage points.

Dr Berkay Özcan said: “Divorce is a costly business with solicitors’ bills and the added expense of new housing arrangements and so on. Our research suggests that as the risk of divorce goes up, so couples prepare for it with ‘precautionary savings’ – even if ultimately they stay married.”

The researchers’ findings are based on the saving behaviour of married couples in the Republic of Ireland before and after the legalisation of divorce in 1996.

They estimated that an increase in the risk of marital separation of about 40 per cent among non religious marriages after the reform led to these couples increasing their savings by 5 – 8 per cent of income relative to religious households – which were relatively unaffected by the legalisation of divorce.

Dr Libertad González said: “We found that married couples in Ireland saved more after 1996, both in absolute terms and relative to single individuals and to married couples in other European countries. Moreover the increase was particularly pronounced for nonreligious marriages relative to religious ones.”

These extra savings appear to come from a reduction in household spending.

The change in the law also led to the proportion of non religious households that had savings rising by up to 13 per cent, depending on the dataset looked at.

The researchers found the same results across three different surveys(1) covering household savings in Ireland.

### **Notes to editors**

The London School of Economics and Political Science (LSE) studies the social sciences in their broadest sense, with an academic profile spanning a wide range of disciplines, from economics, politics and law, to sociology, information systems and accounting and finance.

The School has an outstanding reputation for academic excellence and is one of the most international universities in the world. Its study of social, economic and political problems focuses on the different perspectives and experiences of most countries. From its foundation LSE has aimed to be a laboratory of the social sciences, a place where ideas are developed, analysed, evaluated and disseminated around the globe. Visit <http://www.lse.ac.uk> for more information.

(1)The researchers' main data came from the Living in Ireland Survey, the Irish Household Budget Survey and the European Community Household Panel

The Journal of Human Resources <http://uwpress.wisc.edu/journals/journals/jhr.html>

An electronic copy of the paper 'The risk of divorce and household saving behaviour' is available from the LSE press office.

**For more information**

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