

## **ABSTRACT**

A large body of evidence has accumulated indicating that husbands and wives tend to cluster their retirement decisions. This paper, based upon the Health and Retirement Study, presents a structural dynamic model of the retirement behavior of married couples, that assumes that the retirement decision is reached through a joint maximization of “family utility.” Partners maximize a joint utility function, dependent on their observable features, namely – health, work status, age, age difference, salaried/independent status, and pension eligibility. An error term is added to allow for unobservable qualities. Following this, and given the results of the estimation, we simulated the behavior of hypothetical couples, to estimate the isolated effect of particular variables (e.g. the effect of a deterioration in health or lack of a pension on the timing of the retirement decisions). This paper was constructed so as to make it comparable with similar studies on Israel. Our main findings are that such a model is a good description of reality; that couples without a pension continue to work (at least one spouse) until an advanced age far more than couples with a pension; that among the various education levels, the highest percentage of working couples are those who have finished college, more than couples with higher degrees and more than couples who have only finished high school; however each of these groups may work less for different reasons – one out of choice (those with higher degrees have accumulated more funds, and so can retire earlier), and one out of necessity (those with less education have more difficulty finding jobs, and are paid less if they do work). In the US, it seems that the need to fund health care privately curbs the spouse’s willingness to retire when the other partner is sick; although husbands do react significantly by reducing their workload. In Israel the responses are stronger, probably due to the fact that the government funds most of the citizen’s health costs. We also found that changing the legal retirement age has significant impact on retirement patterns, and should be considered as a major tool by policymakers.