

The effect of income on life satisfaction among the elderly:
Evidence from Korea's new income support program

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While there has been a growing literature on the determinants of elders' life satisfaction, the effect of their income is still the subject of heated debate. In particular, difficulties associated with isolating income as a causal factor have prevented researchers from making a reliable estimate of the effect. Considering the significant policy implications for elders' well-being, more evidence is needed. By utilizing the introduction of the Basic Old-Age Pension (BOAP), a means-tested income support program for elders in Korea, this analysis assesses the extent to which an increase in elders' income enhances their life satisfaction. I analyze longitudinal data from the Korean Retirement and Income Study, utilizing a difference-in-difference quasi-experimental approach. Results show expectation for the BOAP benefits caused female elderly recipients', but not male elderly recipients', life satisfaction to increase. The positive effect disappeared over time, implying adaptation to the increased level of income.