



## INTERGENERATIONAL TRANSFERS IN HEALTH AND RETIREMENT STUDY DATA

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Much economic analysis of the Social Security system is based on the life-cycle model. Although this framework can encompass many phenomena of interest, its scope is limited, as its name implies, to singles or couples whose attention focuses on their own well-being, over their own life span. In particular, the model does not include concerns of households in one generation for predecessors or descendants in their family line, manifestations of such sentiments in the form of intentional intergenerational transfers between parents and grown children, or nonmarket exchanges of property and services between related households. The purpose of this paper is to utilize data from the Health and Retirement Study (HRS) on private, intergenerational transfers between parents and children (the latter being participants in the HRS) to assess the magnitude of such transfers and the possible motives behind them.

Section 1 reviews the existing literature on bequests and inheritances. This paper focuses on the two most prominent theories of such transfers. In one, parents leave intentional bequests, designed to share their resources with the households of their adult children. In the other, bequests emerge by accident, as parent households are sometimes unable to spend their wealth down to zero before death. Findings from the existing literature are: (i) in a great majority of cases, parents divide their estate equally among all of their children; and, (ii) both the intentional and accidental theories receive some, though not exclusive, support.

Sections 2–3 show that the HRS has a rich set of questions on intergenerational transfers received. We work with the original (i.e., 1992) HRS cohort; we use survey waves from 1992–2008. By 2008, about 40 percent of HRS households report receiving at least one intergenerational transfer.

The HRS is unusual in asking recipients for the sources of their transfers. A financial respondent speaks for each household. For every transfer, the survey asks the financial respondent to identify whether the source is parents, parents-in-law, other relatives, etc. The responses show a sizable imbalance: in different subsamples, transfers from parents are 2–5 times more prevalent than those from parents-in-law. This seems inconsistent with the existing literature's emphasis on equally divided parental estates. Section 3 rejects the possibility that sampling variability is the explanation. We conclude that financial respondents under-report transfers from their spouses' families. Thus, overall inheritances are substantially understated.

Section 4 hypothesizes that when a couple's financial respondent does report a transfer from his/her parents-in-law, the amount is accurate. We find that evidence supports this.

Section 5 briefly considers HRS data on intervivos transfers.

Looking then at the distribution of couples' inheritances from the financial respondent's parents, conditional on the financial respondent also reporting one or more inheritances from his/her parents-in-law, we find significant evi-

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dence that some – though not most – inheritances originate from intentional bequests. Making strong assumptions about assortative matching (i.e., that people select marital partners similar to themselves), Section 6 estimates that one-third of bequests are intentional.

We believe the HRS data can provide important insights on the accuracy of survey data on private intergenerational transfers. Whether bequests are intentional or accidental can have important theoretical and practical implications, and we believe that our analysis sheds light on the relative prevalence and importance of the two.

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