THE INITIATION OF INTERGENERATIONAL FINANCIAL TRANSFERS FROM PARENTS TO THEIR ADULT CHILDREN

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Intergenerational transfers, including both inter vivos transfers and bequests at death, account for a large portion of the intergenerational transfer of social and economic status. Transfers of money from parents for college or home purchase have been shown to be important for making these investments early in adult life (Lawton et al 1994 Cooney and Uhlenberg 1992; Cox and Rank 1992; Bumpass 1990; Eggebeen and Hogan 1990; Rossi and Rossi 1990). Similarly, transfers across the adult life course can provide critical infusions of cash in times of need, allowing adults to avoid dipping into retirement savings or home equity. Researchers studying intergenerational financial transfers have examined their importance in overall intergenerational wealth correlations (Gale and Scholz 1994; Greenwood and Wolff 1992; Modigliani 1988a, 1988b; Kotlikoff 1988; Davies 1982; Kotlikoff and Summers 1981; Blinder 1976), the motivations of parents in transferring or leaving bequests (Hogan, Eggebeen and Clogg 1993; Cox and Rank 1992; Millman 1991; Bernheim, Shleifer and Summers 1985), and how they are part of larger exchange relationships involving time and social support (Cox and Rank 1992; Millman 1991; Bernheim, Shleifer and Summers 1985).

In related work, the authors of this paper are pursuing an analysis of how transfer behavior changes as a result of changes in the marital status of older men and women.

One of the surprising findings of that work is the strong persistence of transfers over time. Specifically, in that work we use HRS (Health and Retirement Study) data to estimate the probability of transferring money to children or grandchildren in a given two-year period as a function of having transferred in the previous two-year period (controlling for income, wealth, and a host of other variables, including receipt of both time and money transfers from children). Among samples of married respondents, divorced women and men, and widowed women and men, we find logit coefficients for the effect of having transferred in the previous two year period that range from 0.804 to 1.766. These indicate increases in the odds of transferring by a factor of 2.23 for widowed men and a factor of 5.85 for widowed women.

Based on these results, it is clear that an important next step in understanding transfer relationships between parents and their adult children is examining why and when older parents begin transferring to their children. The current study will examine the timing of the initiation of transfers and the effects of characteristics of respondents and children on this timing by focusing on initial transfers between parents and their adult children. We will use the HRS data (1992 – 2004) and select a sample of respondents who are 51 to 60 years of age at the beginning of the data collection (in order to minimize the number of respondents who began transferring before they entered the dataset). We will follow these respondents throughout the period of observation and use discrete time event history analysis to examine the effects of age, marital status, health status, wealth, income, etc. on the hazard of transferring.