

The PSID Wave 35 Wealth Transfer Module: Brief Report on Content, Data Quality, and Descriptive Statistics

Katherine McGonagle
Survey Research Center, Institute for Social Research
University of Michigan

December, 2010

Overview

A set of questions on wealth transfers was added to Wave 35 of the core Panel Study of Income Dynamics in 2007 with support from the National Institute on Aging (PI: Stafford, Project 5 of P01 P01AG029409). The questions in the 2007 module built on research conducted by John Laitner and F. Thomas Juster on TIAA-CREF annuitants (Laitner and Juster, 1996) and used some of the same questions that were originally asked in the 1988 PSID Time and Money Transfer Module. The 2007 PSID question series consisted of 2 ½ minutes of content in three domains: 1) ratings of the importance of bequests across various sources, 2) ratings of the future earnings expectations of children, and 3) actual and expected transfers to parents and parents-in-law in the forms of financial support, caregiving, shared housing o parents and parents-in-law, and expectations about the provision of such future support. The appendix lists the questions asked in this module. The goal of this brief report is to provide the scientific user community with information on quality of the data obtained in the module and basic information about the distribution of responses in the total sample and by key socio-demographic characteristics.

1. Item Missing Data Rates

Examination of the item missing data rates of the 2007 transfer module shows overall low rates of “don’t know” and “refusal” responses, with the majority of questions having less than 1 percent of such responses. The item missing rate for questions about the importance of leaving an inheritance or estate to various sources ranged from 0.9-1.2 percent. Questions on whether respondents had provided actual transfers to parents in the domains of significant financial support, spending a lot of time caregiving, and having parents live with them in their own home for at least one year had extremely small levels of item missingness (0.3%, 0.1%, and 0.2%, respectively). The range of item missing rates increased to 2.1 - 3.7 percent when respondents were asked to state their expectations for future

earnings of their children and the provision of future transfers to parents, with the highest rate of 3.7 percent obtained for the question asking respondents to indicate the likelihood that they would spend a lot of time providing care for the parents. A lower rate of “don’t know” for memorable, factual questions about actual behavior, such as housing one’s parents for at least a year, compared to hypothetical behavior about whether this might happen in the future is expected, and is consistent with the usual patterns of item missing data rates in the PSID.

2. Ratings of the Importance of Bequests by Source

Respondents were asked to rate the importance of leaving an estate or inheritance to children and relatives, religious organizations, and to charity as “very important,” “somewhat important,” “not important” and “not at all important.” As shown in Table 1, the majority of respondents rate leaving an inheritance or bequest as “very or quite important” (~76%), with lower percentages rating as “very or quite important” a bequest to a church, synagogue, mosque, or a religious organization (25%) or charity (~29%).

Ratings of the importance of leaving an inheritance or an estate to all sources vary by several socio-demographic characteristics of the sample. As shown in Table 1, there are differences between families by whether or not they have living children, with bequests to children and relatives rated more highly for those with children, and bequests to religious organizations rated more highly by those without children. Families with heads of household aged 49 and younger gave significantly higher ratings to the importance of bequests across all sources compared to families with older household heads. Significantly higher ratings of the importance of bequests across all sources were given by female respondents. Respondents in families in the lowest quartile of wealth (i.e., total family non-housing wealth holdings) rated the importance of bequests of all sources as significantly higher than respondents in the wealthiest quartile of families. The largest difference between the ratings by wealth

was for the importance of bequests to charity, with 10% more families from the lowest wealth quartile giving a rating as very or quite important. There was about a 7 percentage point difference in the number of families in the lowest quartile compared to the higher two quartiles in ratings of bequests to religious organizations as very or quite important; the difference between the lowest and highest wealth quartiles narrowed to 4% for ratings of bequests to children or relatives as very or quite important.

Table 1. Percent rating the importance of leaving an estate or inheritance to various sources as ‘very or quite’ by socio-demographic characteristics of the sample.

Source	To Children or Relatives	To Religious Organizations	To Charity
	Very or Quite	Very or Quite	Very or Quite
Total Sample	75.8	25.0	29.1
No Children	71.2	24.0	28.8
At Least 1 Child	80.0***	26.0*	29.4
Head < age 50	80.6	27.1	34.8
Head ≥ age 50	70.6***	22.8***	22.9***
Male Respondent	74.3	23.1	27.1
Female Respondent	77.0**	26.4**	30.6**
Wealth 0-25%	78.0	29.2	35.8
Wealth 25-50%	77.4	29.9	32.5*
Wealth 50-75%	75.4	21.9***	25.5***
Wealth > 75%	73.8**	21.9***	25.8***

Note: Presented in this table are t-tests of statistical significance from OLS regression coefficients (weighted) for differences between Head<50 (reference category) vs. Head≥50; Male respondent (reference category) vs. female respondent; and the lowest wealth quartile 0-25% (reference category) compared to each of the other three quartiles as separate dummy variables in the model. ***p<.001, **p<.01, *p<.05.

3. Expectations about Future Earnings of Children

Parents with children are optimistic about the future earning power of their children, with approximately 81 percent of respondents expecting their children to have “much higher” or “somewhat higher” household earnings during their prime earning years compared to the respondent at the same age. About 8 percent expected their children to earn the “same,” and 11 percent expected their child’s earnings to be “somewhat lower” or “much lower.” This pattern did not vary by the number of children of the respondent. Female respondents and respondents in households in which the head was aged 49 or younger were more optimistic about the future earnings power of their children. Respondents in families in the highest wealth quartile (total family non–housing wealth) reported significantly lower expectations for the future earnings of their children compared to families in all other wealth quartiles.

Table 2. Expectations for future earnings of children compared to respondents’ household earnings by socio-demographic characteristics of the sample.

Source	Much or Somewhat Higher	Same	Much or Somewhat Lower
Total Sample	80.9	8.2	10.9
Head < age 50	83.2	8.3	8.5
Head ≥ age 50	76.6***	8.2	15.2***
Male Respondent	76.0	9.9	14.0
Female Respondent	84.0***	7.2**	8.9***
Wealth 0-25%	85.0	6.2	8.9
Wealth 25-50%	86.1	7.0	6.8
Wealth 50-75%	82.3	8.3	9.4
Wealth > 75%	72.8***	10.5***	16.6***

Note: Presented in this table are t-tests of statistical significance from OLS regression coefficients (weighted) for differences between Head<50 (reference category) vs. Head≥50; Male respondent (reference category) vs. female respondent; and the lowest wealth quartile 0-25% (reference category) compared to each of the other three quartiles as separate dummy variables in the model. ***p<.001, **p<.01, *p<.05.

4. Provision of Parental Transfers and Expectations about Future Provision of Parental Transfers

Table 3 presents the percentage of respondents who have provided and plan to provide transfers of money and time. The results are presented separately for respondents with at least one living parent or parent-in-law, for those whose parents are now deceased, and for the total sample. Respondents with at least one living parent or parent-in-law are further stratified by age of head (under age 50, or age 50 and over), gender of respondent, and quartile of total family non-housing wealth holdings.

a). Actual and planned transfers among respondents with at least one living parent or parent-in-law. As shown in Table 3, transfers of time and money are prominent among America's families of all ages, with a substantial number of adults with at least one living parent or in-law reporting that they have provided such transfers to date across the domains of financial support (17%), caregiving (30%), and shared housing (10%). A much higher number expect to give financial support (37%), caregiving (57%), or share housing for at least one year at some point in the future (24%).

i. By age of head. Examination of these patterns by age of head shows that the percentage of respondents in families with a young head (aged 49 or younger) report significantly lower actual transfers and significantly higher planned transfers across all domains compared to families with older heads (aged 50 or older). Actual rates of time transfers, or caregiving, are 16 percent higher for older heads compared to younger heads. Reports of actual transfers of money in the form of financial support and shared housing are each higher for older heads than younger heads by 4 percentage points. These results make sense in light of the older ages of the parents of older heads, and the longer period over which they would have needed such transfers, compared to the parents of younger heads. Younger heads are much more likely to have future plans to provide transfers across all domains than older heads at a rate that is 16% higher for financial support, 13% higher for caregiving, and 11% higher for

shared housing . It is likely that these different rates reflect in part the greater uncertainty of younger heads about the future needs and financial resources of their parents. Because their parents are older, it is likely that older heads are better able to predict the level of care needed by their parents, and the financial resources of both themselves and their parent.

ii. By gender of respondent. Female respondents with at least one living parent or parent-in-law report higher rates of actual and planned time and money transfers compared to male respondents. As Table 3 shows, female respondents reported slightly higher but significant levels of actual transfers compared to male respondents across all domains: 2% higher for financial support, 4% higher for caregiving, and 2% higher for shared housing. A significantly higher number of female respondents also plan future transfers of money, and especially of time. Female respondents report higher planned transfers in the domains of financial support by 3%, caregiving by 10%, and shared housing by 9%. These differences are consistent with the well documented finding that daughters are more likely than sons to provide care for adult parents (e.g., Pezzin & Schone, 1997), as well as results from the qualitative literature that sons expect parents to ask for help when they need it whereas daughters are more likely to think that children should anticipate the needs of older parents and take proactive action. Moreover, these higher expectations are consistent with the traditional female gender role in its emphasis on caregiving, and may also reflect a social desirability reporting bias where perceived good behavior and behavior that is role conforming is overreported.

iii. By family wealth holdings. Rates of actual and planned transfers by wealth quartiles (total family non-housing assets) were examined, as shown in Table 3. In regards to actual transfers, differences between the quartiles in reported transfers were small with the highest rates for financial support and shared housing reported by families in the lowest wealth quartile. This may reflect an intergenerational concordance in wealth between parents and adult children, and the financial need of low wealth parents. Families in the highest quartile reported the highest rate of caregiving (although

this rate was not significantly different from the rate reported by the lowest wealth quartile), which may potentially reflect the time available for family members in high wealth families to spend away from paid work providing caregiving for parents. Interestingly, the lowest rates of actual transfers were reported by families in the third quartile of wealth. These may be the middle class families that are squeezed for both time and money, in combination with having parents who are likely to be in less need of a transfer than parents in the lowest wealth quartile.

Examination of the rates of planned transfers shows a general linear, negative relationship such that wealthier families plan fewer transfers across all domains. This relationship is especially marked for planned transfers of money to parents, with 45% and 44% of the two bottom quartiles planning a transfer compared to 28% of respondents in the top quartile. This may reflect again an intergenerational correlation in economic status such that respondents in the higher quartiles have parents who are more likely to themselves be in higher wealth quartiles, and are less likely to need a financial transfer, while less wealthy respondents have less wealthy parents who will in fact be in need of financial assistance. It may also be the case that less wealthy respondents have a lower threshold for what counts as a transfer worth mentioning, given that the question asked in the instrument does not specify a dollar amount, only whether the financial support was “significant.” Respondents in the two lowest quartiles are also more likely to expect to provide future caregiving to parents compared to wealthier respondents. Drawing again on an explanation based on the intergenerational correlation between parents and children in economic status, it may be that parents of respondents with lower wealth holdings have themselves have accumulated lower lifetime wealth, and limited means to pay for care, necessitating future care provision from children. Moreover, the well documented finding of a positive relationship between socioeconomic status and health (House et al.,1994; Marmot, 2000; Smith, 1999) may mean that parents of less wealthy children also have higher rates of poor health, leaving them in greater need of future care compared to parents of wealthier children.

Multivariate models of transfer behavior that include each of these stratifying variables, age of household head, gender of respondent, and wealth holdings of children as well as parents are needed to sort out these descriptive findings. The explanations based on the intergenerational correlations in economic status between parents and children can be examined using the intergenerational data in the PSID to study parent-children pairs along with information on wealth holdings of parents, and their health conditions and overall health status.

b). Comparing transfers between respondents as a function of parent vital status. Comparing the ratings of actual transfers and expectations for future transfers for respondents who have at least one living parent with those whose parents are now deceased provides an indirect way (albeit with limitations, as discussed below) to gauge the potential transfers that most adult children will actually provide. First, comparing the actual transfers that are reported by the two groups, we find that respondents whose parents are now deceased provided more transfers of time and money across all three sources than respondents who have at least one living parent or parent-in-law. This is likely due to the substantially older average age of heads among respondents with deceased parents (weighted mean=67.5 years) compared to heads among respondents with living parents (weighted mean=42.1 years;), and the potentially longer risk period over which these respondents with deceased parents were exposed to parents needing financial support, caregiving, and/or housing, a risk period which respondents with living parents are now either in the midst of, or entering.

Second, because questions about expectations for future transfers are asked only of respondents with living parents (and have not been asked in the past in PSID), we provide two ways of comparing expectations of this group with the actual provision of care by respondents with deceased parents. The first way is to compare expectations about transfers among respondents with a living parent with actual provision by respondents with deceased parents. This comparison shows that across all domains, a higher percentage of respondents with living parents expect to provide transfers than the

percentage of respondents who reported providing such transfers to parents who are now deceased, with the difference being 15% for significant financial support (37% planned vs. 22% actual), 12% for caregiving (57% planned vs. 45% actual), and 7% for sharing housing (24% planned vs. 17% actual). A second way to compare these two groups is to compare the percentage of respondents with a living parent who report either an actual or planned transfer with the percentage of respondents with deceased parents who report an actual transfer. This comparison reveals that a much higher percentage of respondents with a living parent report an actual or planned transfer in all domains compared to actual transfers reported by respondents with deceased parents, with a difference of 23% for significant financial support (45% actual or planned vs. 22% actual), 12% for caregiving (57% actual or planned vs. 45% actual); and 15% for sharing housing (32% actual or planned vs. 17% actual). This difference is especially large for transfers of money.

The higher rates of planned transfers for respondents with a living parent may reflect an overestimation of the amount of future care that parents will eventually need and/or respondents' willingness to provide such care in the future. The overestimation may be due to the uncertainty of the health and/or wealth of the parent in the future, as well as uncertainty about how much assistance will be provided by siblings and other family members. The conclusions that can be drawn based on comparisons between these groups of respondents are limited to the extent that there are other systematic differences between the two groups, such as average age of the adult child and parent, as described above, as well as possible cohort differences in the future care needs of parents and the ability and willingness of children to provide this care, including life expectancy (and the risk period for providing parental care), health insurance coverage, and social expectations for parental care. Finally, the questions themselves may elicit social desirability bias, where respondents overreport their good behavior through the reporting of both actual and planned provision of transfers.

Table 3. Percent providing and expecting to provide support to parents and in-laws in the total sample and by whether parents and in-laws are now deceased (weighted percentages).

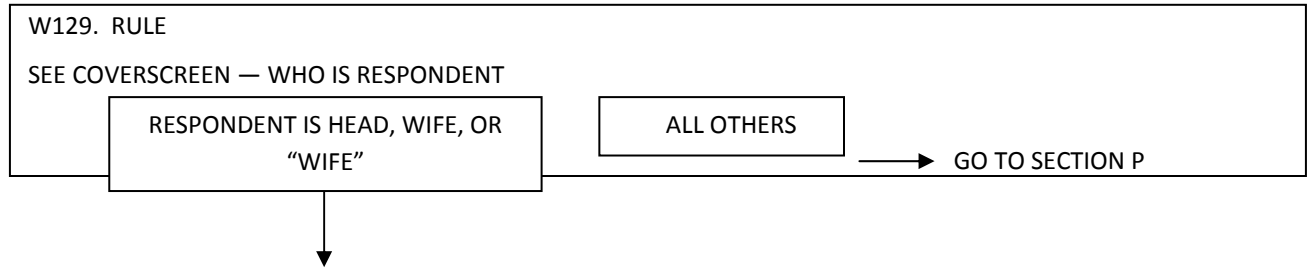
Transfer domain:		Gives significant financial support			Spends a lot of time caregiving			Resides in respondent's home for at least 1 year		
Sample		Actual	Planned	Actual or Planned	Actual	Planned	Actual or Planned	Actual	Planned	Actual or Planned
Among respondents with at least one parent or parent-in-law living (n=6402)	Total Sample	16.7	37.3	45.4	30.2	57.4	68.1	10.2	24.3	32.2
	Head<50	13.4	42.4	44.9	19.4	61.4	63.9	6.2	27.6	29.7
	Head>=50	16.8***	25.7***	30.3***	34.9***	48.2***	57.4***	10.2***	16.9***	21.7***
	Male R	13.1	35.8	37.9	22.1	52.0	56.6	6.1	19.3	22.1
	Female R	15.4**	38.6*	42.4**	25.8**	61.6***	66.1***	8.5**	28.2***	31.3***
	Wealth 0-25%	16.4	45.1	49.0	24.4	63.2	67.8	9.4	28.7	32.3
	Wealth 25-50%	15.1	43.6	46.7	24.2	63.5	67.2	7.2	25.6*	28.5*
	Wealth 50-75%	13.2*	36.2***	38.4***	21.3*	57.3**	61.1***	6.3**	25.0**	27.2**
Wealth >75%	13.5*	28.0***	31.3***	26.3	48.6***	54.4***	7.1*	19.6***	22.9***	
Among respondents whose parents are deceased (n=1714)		22.0	n/a	n/a	44.6	n/a	n/a	17.2	n/a	n/a
Total sample (n=8116)		16.6	n/a	n/a	30.2	n/a	n/a	10.2	n/a	n/a

Note: Presented in this table are t-tests of statistical significance from OLS regression coefficients (weighted) for differences between Head<50 (reference category) vs. Head>=50; Male respondent (reference category) vs. female respondent; and the lowest wealth quartile 0-25% (reference category) compared to each of the other three quartiles as separate dummy variables in the model. ***p<.001, **p<.01, *p<.05.

References

- House, J., J. Lepkowski, A. Kinney, R. Mero, R. Kessler, and R. Herzog. 1994. "The Social Stratification of Aging and Health." *Journal of Health and Social Behavior* 35(3):213-234.
- Laitner, J., and F.T. Juster, 1996. "New Evidence on Altruism: A Study of TIAA-CREFF Retirees." *The American Economic Review* 86(4):893-908.
- Marmot, M. G. 2000. "A multi-level approach to understanding social determinants," in L. Berkman and I. Kawachi (eds.), *Social Epidemiology*, Oxford University Press, Oxford.
- Pezzin, Liliana, and Barbara Schone. 1997. "The Allocation of Resources in Intergenerational Households: Adult Children and Their Elderly Parents." *American Economic Review* 87(2):460-64. Sloan, Frank, Gabriel
- Smith, J. P. 1999. "Healthy bodies and thick wallets: The dual relation between health and economic status," *Journal of Economic Perspectives* 13(2):145-167.

APPENDIX



W129_Intro Now, we'd like to know how you feel about some family issues such as taking care of your parents and leaving inheritances for your children or others.

W129. Some people think that leaving an estate or inheritance to your children or other relatives is very important, while others do not. Would you say this is very important, quite important, not important, or not at all important?

1. VERY IMPORTANT	2. QUITE IMPORTANT	3. NOT IMPORTANT	4. NOT AT ALL IMPORTANT
----------------------	-----------------------	---------------------	----------------------------

W130. What about leaving an estate or inheritance to a church, synagogue, mosque or religious organization?
(Would you say this is very important, quite important, not important, or not at all important?)

1. VERY IMPORTANT	2. QUITE IMPORTANT	3. NOT IMPORTANT	4. NOT AT ALL IMPORTANT
----------------------	-----------------------	---------------------	----------------------------

W131. (What about) Leaving an estate or inheritance to charity?
(Would you say this is very important, quite important, not important, or not at all important?)

1. VERY IMPORTANT	2. QUITE IMPORTANT	3. NOT IMPORTANT	4. NOT AT ALL IMPORTANT
----------------------	-----------------------	---------------------	----------------------------

W132. (What about) Paying for your children's education?
(Would you say this is very important, quite important, not important, or not at all important?)

1. VERY IMPORTANT	2. QUITE IMPORTANT	3. NOT IMPORTANT	4. NOT AT ALL IMPORTANT
----------------------	-----------------------	---------------------	----------------------------

W133. How many living children under the age of 30 do you have? (TWO DIGITS, 00-25)

IF "NONE", ENTER '00'

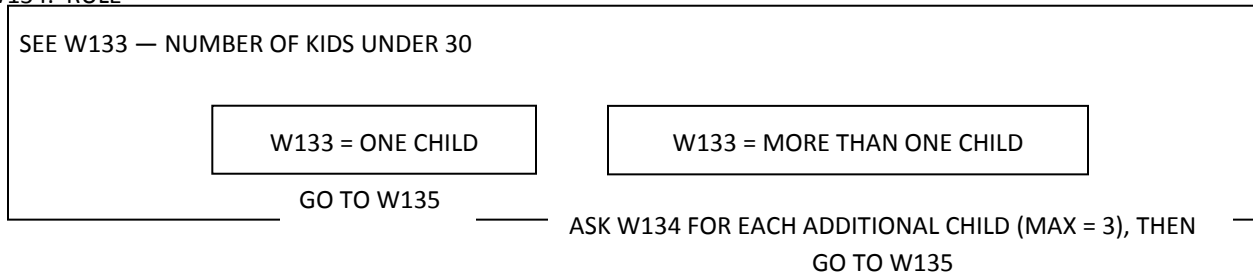
____ 01-25

00. NONE	GO TO W135
----------	------------

W134_(1-3). When your [child/oldest child/next oldest child/third (oldest) child] is in his or her prime earning years, do you expect his or her household's earnings to be higher or lower than your household's earnings at comparable ages? Would you say much higher, somewhat higher, the same, somewhat lower, or much lower?

- | | | | | |
|----------------|--------------------|---------|-------------------|---------------|
| 1. MUCH HIGHER | 2. SOMEWHAT HIGHER | 3. SAME | 4. SOMEWHAT LOWER | 5. MUCH LOWER |
|----------------|--------------------|---------|-------------------|---------------|

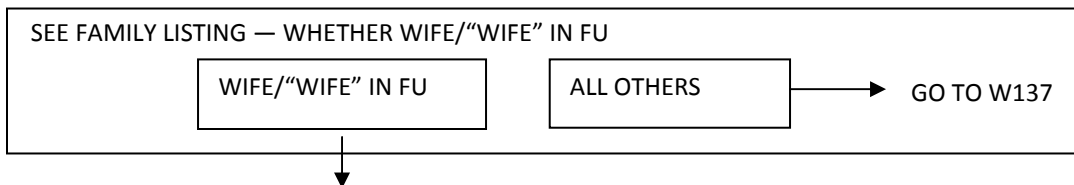
W134. RULE



W135 (KL37). Were [your/HEAD's] parents poor when [you were/he was] growing up, pretty well off, or what?

- | | | |
|---------|-------------------------|--------------------|
| 1. POOR | 3. AVERAGE; "IT VARIED" | 5. PRETTY WELL OFF |
|---------|-------------------------|--------------------|
-

W136. RULE



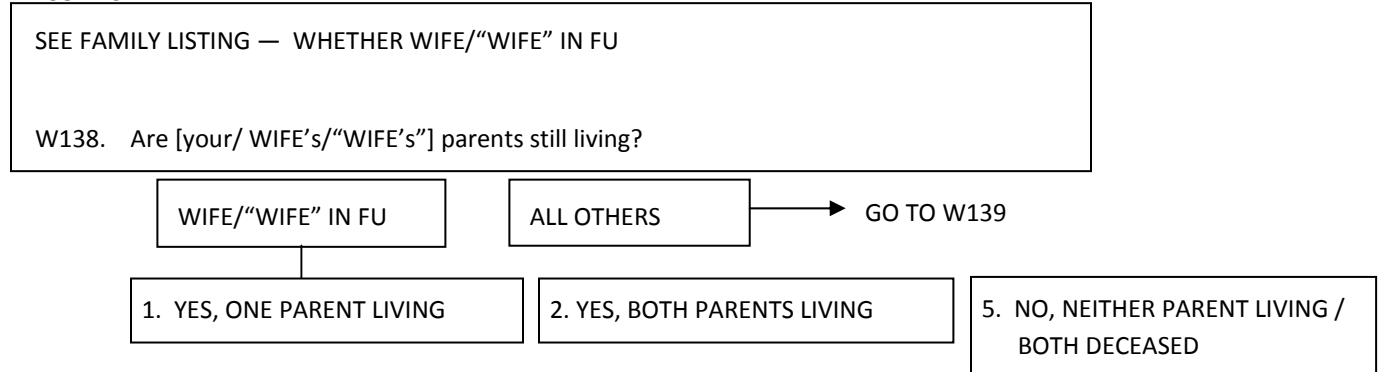
W136 (KL37). Were [your/WIFE's/"WIFE's"] parents poor when [you were/she was] growing up, pretty well off, or what?

- | | | |
|---------|-------------------------|--------------------|
| 1. POOR | 3. AVERAGE; "IT VARIED" | 5. PRETTY WELL OFF |
|---------|-------------------------|--------------------|

W137. Are [your/HEAD's] parents still living?

- | | | |
|---------------------------|-----------------------------|--|
| 1. YES, ONE PARENT LIVING | 2. YES, BOTH PARENTS LIVING | 5. NO, NEITHER PARENT LIVING/
BOTH DECEASED |
|---------------------------|-----------------------------|--|

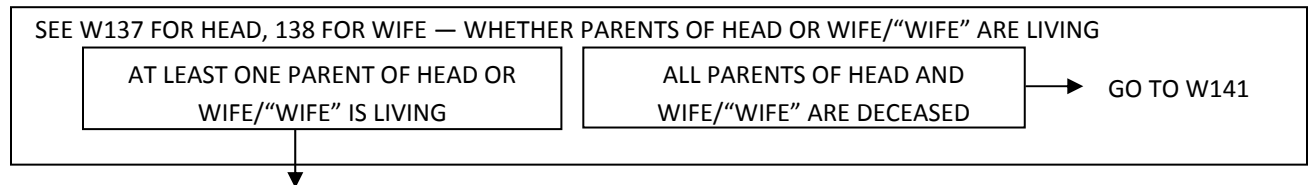
W138. RULE



W139. In the past, did [you/you or HEAD/you or WIFE/“WIFE”] give significant financial support to [your parents / your or HEAD’s parents / your or WIFE’s/“WIFE’s” parents]?

1. YES 5. NO

W140. RULE



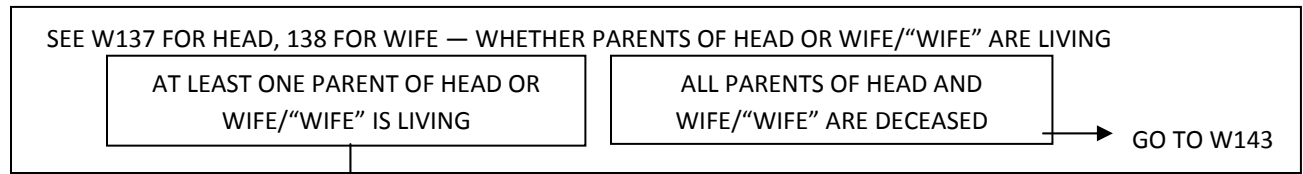
W140. In the future, are [you/you or HEAD/you or WIFE/“WIFE”] planning to give significant financial support to [your or WIFE’s/“WIFE’s” parents / your or HEAD’s parents]?

1. YES 5. NO

W141. In the past, did [you/you or HEAD/you or WIFE/“WIFE”] spend a lot of time caring for [your parents / your or HEAD’s parents / your or WIFE’s/“WIFE’s” parents]?

1. YES 5. NO

W142. RULE



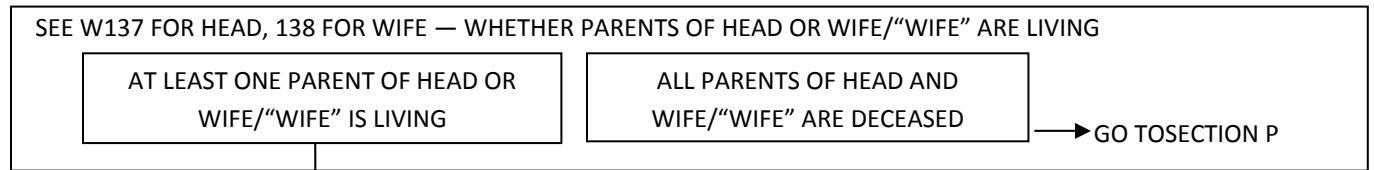
W142. In the future, are [you/you or HEAD/you or WIFE/"WIFE"] planning to spend a lot of time caring for [your or WIFE's/"WIFE's" parents / your or HEAD's parents]?

1. YES	5. NO
--------	-------

W143. In the past, did [your parents /your or HEAD's parents / your or WIFE's/"WIFE's" parents] live with [you/you and HEAD/you and WIFE/"WIFE"] one year or longer in your home?

1. YES	5. NO
--------	-------

W144. RULE



W144. In the future, do you expect [your or WIFE's/"WIFE's" parents / your or HEAD's parents] will live with [you/you and HEAD/you and WIFE/"WIFE"] one year or longer in your home?

1. YES	5. NO
--------	-------